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**THE ROOTS OF NEO-LIBERAL RESILIENCE:
EXPLAINING CONTINUITY AND CHANGE IN BACKGROUND IDEAS IN
EUROPE'S POLITICAL ECONOMY**

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Research Highlights:

- defines and elucidates the concept of “background ideas”
- defines and elucidates neo-liberalism and its relationship to background ideas
- uses discursive institutionalism as framework for analysis of background ideas and neo-liberalism
- explores different levels of neo-liberal ideas in terms of philosophy, program, and policy
- considers how different levels of ideas may be transformed over time through revolutionary or evolutionary change
- examines different forms of ideas, especially as philosophies, ideologies, and discourse, and different types of ideas, both cognitive and normative
- considers the different ways in which ideas are constructed and communicated by policy or political entrepreneurs and/or act in discursive policy communities
- discusses political entrepreneurs as ideological, pragmatic, or opportunistic

Abstract:

Neo-liberalism has come to constitute the background ideas of European political economies, as the unquestioned set of beliefs, understandings, or core philosophy exercising a seemingly incontrovertible hold since the 1980s in Europe. Using a discursive institutionalist framework, this article defines background ideas, describes their different forms, levels, and types, theorizes about the nature of continuity and change in such ideas, and considers the agents and discursive processes through which such ideas are constructed and disseminated. It illustrates throughout with examples of neo-liberalism, from the philosophical origins through its many different permutations in different institutional contexts over time. The article concludes that although “background ideas” as a concept remains somewhat elusive, it is nonetheless useful as a way of understanding how neo-liberalism has managed to infuse people’s deepest assumptions about the possible and thereby to set the limits of the imaginable with regard to political economic action.

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Neo-liberal ideas that focus on individualism, free markets, and a strong but limited state have so come to dominate advanced industrialized countries' assumptions about what is appropriate political economic action that, up until the economic crisis beginning in 2007/2008, they had all but disappeared from public consciousness and debate. Widely held beliefs—about the benefits of unfettered markets and the dangers of interventionist states, about the importance of market competition and 'competitiveness,' about the necessity of liberalizing reform (e.g., deregulation, privatization, labor market flexibility, welfare state rationalization), and about the imperatives of austerity and structural reform during the Eurozone crisis—are all manifestations of the hold of neo-liberal 'background ideas' in contemporary capitalist democracies (see, e.g., Hay 2004; Harvey 2005; Miroski and Plehwe 2009; Gamble 2009; Peck 2010; Steger and Roy 2010; Amable 2011; Schmidt and Thatcher 2013; Blyth 2013b). These ideas were not always so predominant. The postwar period could be seen as a time infused with a very different set of background ideas, based on principles embedded in a very different approach to markets, the state, and society which are generally associated with neo-Keynesianism and social democracy. But since the 1980s, neo-liberal ideas have become so all pervasive that they have largely receded into the background even as they have served to guide public understandings of the possible and set the limits of the imaginable. Only with the economic crisis that began in 2007/2008 did neo-liberal ideas return to the foreground, to public questioning and contestation. But neo-liberalism has remained resilient nonetheless as the dominant set of ideas, with seemingly no alternatives in sight (Schmidt and Thatcher 2013).

The resilience of neo-liberalism as a set of background ideas for contemporary capitalism raises a number of interrelated questions, including: what are background ideas? How do ideas become background ideas? How, when, and why do background ideas change or persist? Who generates such ideas and how do they become embedded in the background of a polity's policies and programs?

To answer such questions, this article uses the analytic framework of discursive institutionalism (see Schmidt 2008, 2012). This framework calls attention to the significance of approaches that theorize about the substantive content of ideas and the interactive processes of discourse in institutional context. Such approaches range from the 'ideational turn' in comparative politics (Blyth 1997) and the 'agenda-setting' of policy analysis (Baumgartner and Jones 1993) to the constructivist turn in international relations (Wendt 1999; Finnemore 1996) and the discourse analysis of post-modernism (Foucault 2000; Bourdieu 1990). They identify many different forms of ideas and discourse—including worldviews, ideologies, and discourse (Freedon 2003; Foucault 2000), frames and narratives (Rein and Schön 1994; Roe 1994), storytelling and collective memories (Forester 1993; Rothstein 2005, Ch. 5). These come at different

levels of generality with differing rates of change—from deep, slowly changing philosophical ideas to more specific, fast-changing policy ideas, with evolving programmatic ideas or revolutionary paradigms at an intermediate stage between the two (Schmidt 2008, 2011; Mehta 2011). They also come with different types of arguments: cognitive arguments that justify in terms of expert knowledge and normative arguments that legitimate through appeal to societal values (Jobert 1989; Hall 1993; Schmidt 2002, Ch. 5). Moreover, such ideas and discourse may be generated, articulated, and contested by a wide range of ‘sentient’ (thinking, speaking and acting) agents through interactive processes of policy coordination and political communication in different institutional contexts (Schmidt 2008, 2011).

The article begins with a general definition of background ideas and of the core principles of neo-liberalism that have come to constitute the background ideas of Europe’s political economy since the 1980s. The article then delineates the different forms, levels, and types of background ideas, as illustrated through neo-liberalism, followed by a discussion of the nature of change and continuity in such ideas. In the final section, the article considers the agents of change and the interactive processes through which background ideas may become background ideas. The article shows that although the term itself may appear somewhat amorphous at times, the concept of background ideas is nonetheless very useful as a way of demonstrating how a given set of philosophical principles, in this case neo-liberalism, can have come to exercise a seemingly incontrovertible hold on the ideas and discourse of European political economies over a long period of time in a wide range of institutional contexts.

Defining Background Ideas and Neo-Liberal Philosophy

Background ideas, as the modifying adjective suggests, generally remain in the background. They consist of the unquestioned assumptions of a polity, the deep philosophical approaches that serve to guide action, the unconscious frames or lenses through which people see the world, and/or the meaning constellations by which people make sense of the world. As such, background ideas tend to sit at the deepest level of generality in ideas, even though they normally infuse the intermediate level of programmatic ideas or policy programs and are translated into practice at the most immediate level of policy ideas. Background ideas are core principles that generally stay in the ‘background’ as underlying assumptions, deep philosophies, or taken-for-granted ideas that are rarely questioned or contested except in times of crisis. This is in contrast to policy and programmatic ideas, which tend to remain in the ‘foreground’ because discussed and debated on a regular basis (see Campbell 2004: 93-4).

Although neo-liberalism as a body of thought contains many different philosophical strands, normative interpretations, and policy applications, it nonetheless embodies a common vision of the role of the state and its relationship to the market. The state should play a limited political economic role—to create and preserve the institutional framework that secures property rights, guarantees free markets, and promotes free trade—so as to leave the markets as unfettered as possible. Notably, however, neo-liberal core principles are not just about political economy but also about democracy. Neoliberalism conceives

of the polity as made up of the individual first, the community second, with legitimate state action extremely limited with regard to community-based demands on the individual (Harvey 2005; Gamble 2013; Schmidt and Woll 2013).

This puts neo-liberalism at odds with the ideas of previous philosophical traditions, both republican and liberal, that have infused the background ideas of different eras and polities. Neo-liberalism is particularly in contradiction with the republican tradition going back to Aristotle and Rousseau, which assumes the primacy of the state over markets, and has as its core principle that individual economic activity should be evaluated in relationship to conceptions about what is good for the polity as a whole, as agreed by the citizens and judged by elected political leaders. But neo-liberals also take a more radical view of the relationship between state and market than the older liberal tradition from Thomas Hobbes through John Stuart Mill. At the core of liberalism is the assumption that the individual comes before the polity, but the polity still comes before the economy, with political liberty a *sine qua non* of economic freedom. Neo-liberalism reverses the traditional liberal relationship between polity and economy by insisting that economic freedom is a prerequisite for political freedom (Scharpf 2012; see also Foucault 2004; Tribe 2009).

Very generally speaking, by putting the economy before the polity, neo-liberals present the markets as the neutral solution, the state as the politicized problem. Moreover, making the markets the solution also enabled neo-liberalism's founding theorists to eschew traditional social ethics. In its stead they made competition the moral standard, with competitive markets serving to define merit as well as to justify inequalities of situation, while notions of collective responsibility beyond a basic minimum could be seen as interfering with markets (Amable 2011; see also Gamble 2013; Schmidt and Woll 2013).

Different strands of liberalism, however, have proffered different ideas about how limited the role of the state, how unfettered the markets, or how extensive the collective responsibility. *Laissez-faire* neo-liberals tend to want a strong but highly limited state and minimal collective responsibility. Anarcho-capitalists or 'hyper neo-liberals' prefer to dismantle the state as much as possible in order to leave almost everything to the market, and rule out any collective responsibility. Ordo-liberals, following the more conservative brand of neo-liberal economic philosophy developed in Germany in the 1930s and implemented as of the 1950s, embraced a strong rules-based state with a greater sense of social responsibility (see discussion in Gamble 2009, pp. 70-84, 2013). But at the same time that ordo-liberals thus reserved a larger role for the state than other neo-liberals, they turned the whole logic of the state-market relationship on its head with a discourse that blamed the state for all the negatives of political and economic history (Foucault 2004, pp. 119-120). The Austrian School, similarly, endorsed a strong rules-based state but with a lower level of social provision, while seeing any kind of state planning as a threat to democracy because it imposes purposes and values on individuals that they were not likely to have chosen, given the vagaries of majority agreement (Hayek (1944/2007, pp. 100-11; see Gamble 2013; Wapshot 2012).

On the other side of the Atlantic, the Chicago School has been even more radically critical of the state than the German or Austrian Schools. By postulating the optimality of market solutions in theory rather than treating this as an empirical question, it came to assume that state action was no longer justified as intervention for market failures—which is at the origins of traditional liberal thought—because the market cannot in principle fail, only government (Wagner 2012—see discussion in Schmidt and Woll 2013). The state, moreover, was inherently dangerous because likely to damage not only the freedom of market actors' transactions in capitalist economies but also the freedom of citizens to choose in liberal democracies (e.g., Friedman 1962). The Virginia School reinforced this distrust of the state in its analysis of public officials as narrowly self-interested and therefore often acting against the public interest in the search for rents (i.e., Buchanan 1986b).

But at the same time that all such neo-liberal philosophies have therefore cast the state as the primary problem, most have equally recognized the need for a strong state able to create the institutions necessary to maintaining a free market (e.g., Buchanan 1986a; Hayek 1944/2007, pp. 85-6). The contradiction at the very core of neo-liberal background ideas, then, is that while neo-liberal principles demand a highly limited state, neo-liberal practice requires a strong state able to impose neo-liberal reform. In consequence, instead of generating a truly neo-liberal state, neo-liberalism has actually produced 'liberal neo-statism,' in which a much more interventionist state than compatible with core neo-liberal principles has emerged to implement the neo-liberal policies and programs called for by those principles (Schmidt and Woll 2013).

A further contradiction is that neo-liberal reforms may free individuals from the potential restrictions of the republican or liberal state only to subject them to a different type of discipline or 'governmentality,' as Foucault (2004) calls it. This involves a kind of 'engineering of souls' that seeks to shape individuals as governable, self-disciplined, enterprising subjects not directly, through state intervention, but indirectly, via the creation of structures of incentives. Another critique is that in assuming that all public servants are 'untrustworthy' and in need of incentives to act against their self-interest, neo-liberals produced the very rationally self-interested actors they were trying to control, even as they undermined the altruism and trust public bureaucracies have long depended upon (in particular through the policy program known as 'New Public Management'—Pollitt and Boukaert 2011). It follows from these critiques that the background ideas generated by neo-liberalism could be defined not only as coming from the stated principles of neo-liberal theorists and/or their translation into action but also as the hidden consequences of neo-liberalism in action—which produce the opposite of what is touted in the philosophy. But this latter kind of analysis, however appropriate, is a different enterprise from the one undertaken herein.

Forms, Levels, and Types of Background Ideas in Neo-Liberalism

Background ideas come in a wide variety of forms. They may be cast as 'public philosophies' (Hecló 1986), 'public sentiments' (Campbell 2004), worldviews and '*Weltanschauung*,' or global *référentiels* (cognitive frames of reference'—Jobert 1992;

Muller 1995, 2005), all of which frame policies and programs through appeal to a deeper core of organizing ideas, values, and principles of knowledge (in the sense of *Wissenschaft*) and society. Moreover, as deep philosophies that underpin people's visions of the world, background ideas may also be combined with structural theories of elite power and domination. These include Pierre Bourdieu's (1994) '*doxa*' or vision of the world of those who, in dominating the State, impose their vision on the rest of society; Michel Foucault's (2000) 'discourse,' in which the ideational domination of the powerful put people in a 'subject' position; and Antonio Gramsci's (1971) 'hegemonic discourse,' which may also be cast as the hegemonic ideology of a resurgent capitalist class (Overbeek and Apeldoorn 2012). Alternatively, background ideas may be cast as ideologies that set an all-encompassing perspective on reality, and which combine deep philosophy with a specified policy program and even policy ideas (Freeden 2003).

Neoliberalism may be portrayed in any and all of these ways, and more. In the first definitional section, we have already provided one way of considering neo-liberal background ideas—as a political economic philosophy defining a set of free-market oriented economic principles and political economic practices promoted by a loose agglomeration of 'true believers' (see also Mirowski and Plehwe 2009; Gamble 2009). But neoliberal background ideas come in many other guises and disguises.

Neoliberalism is the core idea of a particular approach to governance, in which neo-liberal principles and practices are deployed to liberalize, privatize, deregulate, and rationalize existing markets (Steger and Roy 2010; Peck 2010). It is a political project promoted by social forces to restore capitalist class power via ideas about how to reorganize capital and the social order (Overbeek and Apeldoorn 2012, 4-5; Jessop 2002). It is the discourse that structures people's thoughts and practices, most notably in Foucault's (2004) exploration of ordo-liberalism in Germany. It is the ideology through which the free-market discourse of the 'converted' (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 (Freeden 2003). And it is the global *référéntiel* in which, in country after country, the dominant ideas structuring human life have become competition and economic exchange (Jobert 1994) while, in sector after sector, the global neo-liberal *référéntiel* has pushed the neo-liberal conversion of long-standing sectoral policy *référéntiels* in industry, agriculture, trade, poverty, among others. (Muller 2015).

Alternatively, neo-liberalism is the core idea of a dominant and undifferentiated management philosophy, the 'spirit of capitalism,' found throughout the world, or at least throughout management schools' textbooks (Boltanski and Chiapello 1999). It is part of the 'web of ideas' that has embedded neo-liberalism in the political and moral vocabulary of the state, for example, with the substitution of 'governance' for government (Bevir 2010). And it is the source of the economistic language of markets and the state. The rational man models that assume a particular vision of human motivation as self-interested and rationally calculating have skewed the ways in which people think not only about the markets—with financial market traders seen as rational calculators rather than, say, the inventors of fictionalized futures (Beckert 2011)—but also about the state—as

older, more political terms of analysis such as patronage and clientelism have been replaced with the language of ‘rent-seeking’ and ‘moral hazard.’ Neo-liberal presuppositions are now embedded in the very instruments and analytic tools that have increasingly come to be accepted not just by the players in the markets—whose financial models reshape rather than simply reflect the markets (Mackenzie 2006)—but equally by the administrators of the state.

Finally, neo-liberal background ideas may be used by elites deliberately in their discourse to hide from public consciousness and view the realities of contemporary capitalism, in which big corporations are the greatest beneficiaries. Crouch (2011) in particular has argued that mega-corporations use a neo-liberal discourse of free markets and limited state to conceal how they have structured the economy and used the state to enrich themselves in ways that totally contradict neo-liberal philosophical ideals. Block (2008) makes a similar kind of argument for the US technological policy arena, which is managed not by the market but by a “developmental network state” that has been “hidden in plain view,” because it contradicts the market fundamentalist political ideology that pervades Republican partisan politics.

Once we move from a discussion of the substantive content of the economic philosophy to its manifold expressions in public philosophies, ideologies, ideational frameworks, language, political projects, and approaches to governance, it becomes more difficult to separate out this deep level of background ideas from their expression in other levels of ideational generalization. This is because policy programs embody the core principles of the general philosophy, while policies are manifestations of the ways in which the policy programs translate the core ideas into practice. Thus, any discussion of the philosophical level of background ideas is not complete without an exploration of the ways in which they may be represented in programmatic and policy ideas.

To complicate matters, policy programs themselves can be seen as background ideas, insofar as they can become so taken-for-granted in terms of their methods, instruments, goals, as well as ideals that they, too, fade into the background. A notable example is Germany from the postwar period forward, in which the ‘social market economy’ was so much part of the fabric of everyone’s ideas about how the market did and should operate that it acted like a basic philosophy shared by the conservatives and social-democrats alike (Lehmbruch 2001). Significantly, however, it also hid in plain view the conservative ordo-liberal foundations of the country’s ‘social market economy,’ so much so that by the 1990s, all and sundry had forgotten this—in particular as German corporatism, Rhinish capitalism, or the ‘coordinated market economy’ came to be seen as the main alternative to the British (neo) liberal market economy and was even called ‘non-liberal capitalism’ (e.g., Albert 1993; Hall and Soskice 2001; Streeck and Yamamura 2001—see also discussion in Peck 2010, p. 67). It has only been with the Eurozone crisis, and German leaders’ insistence on not simply retaining but reinforcing the stability rules of European Monetary Union, that ordo-liberalism as a philosophy has come to the fore as a subject of discussion and debate—although curiously everywhere except for Germany (Guérot and Dullien 2012; Ptak 2009).

In other words, background ideas may not only constitute the ‘deep core’ of policy programs (as understood by Sabatier 1993) but also its elaboration in ‘core’ programmatic ideas about what to do and how to do it to what end. This may even occasionally extend to policy ideas, when they are unquestioningly assumed to be the only way to fulfill policy program goals, which are themselves in turn seen as reflections of the underlying philosophy. One such example is the policy focused on credit-fueled, housing-driven economic growth of the ‘Anglo-liberal growth model,’ which has so taken hold among UK and Irish policymakers that they cannot think beyond it, and thereby remain blind to its deleterious consequences (Hay and Smith 2013). Another is the EU competition policy model related to state aid, which had become such an article of faith that it remained unquestioned even in the midst of the economic crisis (Thatcher 2013).

Thus, although ‘background’ ideas are mainly associated as a concept with the deepest level of core philosophical ideas, they are often to be found at the programmatic level and occasionally even at the policy level. Moreover, to the extent that ‘background’ philosophical ideas are embodied in policy programs and find expression in policy ideas, the three may in any case be difficult to separate—in particular where they have come to be so accepted that none are subject to serious public debate and contestation.

All of this is only further complicated by the added presence of the different types of ideas contained in cognitive and normative arguments. Cognitive arguments provide recipes, guidelines, and maps for political action and serve to justify the policies and programs through reference to the deeper core of principles and norms of relevant scientific disciplines or technical practices (see Hall 1993; Surel 1995; Muller 1995; Schmidt 2002). Normative arguments instead attach values to political action, and serve to legitimize the policies in a program by speaking to their appropriateness as well as how policies resonate with a deeper core of principles and norms of public life (March and Olsen 1989; Schmidt 2000, 2002, pp. 213-17, 2008). In Germany, for example, the post-war idea of the ‘social market economy’ took its cognitive justification from the stability-based economic principles of *ordo-liberalism*, its normative legitimation from the norms of cooperation and consensus-building that are at the foundations of the country’s post-war federal democracy (Lehmbruch 2001). In Britain, Thatcher justified her neo-liberal policies and program in terms of the economic philosophies of Hayek and Friedman while she legitimated them in terms of the country’s liberal state tradition and values of individualism (Marquand 1988). In France, the post-1983 governments of the left as well as the right were careful to claim not to violate the polity’s normative principles of social solidarity even as they cognitively justified the neo-liberal policy program in terms of its economic necessity as a response to the challenges of globalization. But beyond this, the Socialists in particular had difficulties normatively legitimizing the neo-liberal program because it violated their long-standing socialist values (Schmidt 2002, Ch. 6).

Cognitive and normative arguments are naturally also contained in the many different forms of ideas. Cognitive arguments interspersed with technical and scientific justifications may be embedded in more generally-accessible narratives (Roe 1994) that

fit together the specialists' arguments with accounts of events, emblematic cases and even doomsday scenarios to generate compelling stories about the causes of current problems (Forester 1993), what needs to be done to remedy them, and—joined by normative arguments—how they fit with the underlying values of the society as well as with collective memories (Rothstein 2005, Ch. 5). For example, Thatcher's neo-liberal policy discourse took specialist arguments about the disastrous economic effects of neo-Keynesianism and the necessity of monetarism because of TINA (there is no alternative) and combined them into a narrative about the benefits of thrift and hard work, which she linked to Victorian values and illustrated, among other ways, through the experience of her grocer father (Schmidt 2002, pp. 215, 2008). More recently, Merkel's ordo-liberal policy discourse favoring austerity and structural reform as a response to the Eurozone crisis used cognitive arguments focused on the need to reinforce the stability-based rules of the SGP (Stability and Growth Pact) and normative arguments warning about the 'moral hazards' that result from countries believing that they would be bailed out for bad debts and overspending (Blyth 2013b). At the same time, she evoked collective memories of the 1923 hyperinflation and constructed a narrative that blamed the crisis on excessive public spending (despite it only being true for Greece), accompanied by stories early on all about the profligate Greeks versus the 'good Germans' who save, and a discourse that used the metaphor of the household to suggest that states must tighten their belts when in debt, just like Schwabian housewives (Schmidt 2014).

Up to this point, we have been mainly focused on the elites whose discourses have been consciously (or unconsciously) imbued with neo-liberal philosophical ideas that may also have been specified via programmatic and policy ideas. But we could equally argue that neo-liberal background ideas arise not just out of the direct influence of neo-liberal philosophical, programmatic and policy ideas as such but rather out of actions taken in their name. In other words, the operationalization of neo-liberal ideas through the implementation of neo-liberal policies and programs also has an influence on background ideas. Such 'activated' ideas help create the context in which people begin to live their lives differently, while the discourses promoting such ideas may provide new frames through which people may come to understand their changed lives—as was the case for many in Thatcher's Britain (Schmidt 2002, p. 222). Here we could also point to how such policies and programs end up embedded in the rules and regulations of a polity, as 'institutionalized' ideas that people also generally follow without thinking—as historical institutionalists might argue (e.g., Pierson 2004, p. 39). Background ideas, in other words, may result not only from the philosophical ideas of neo-liberal thinkers or from the programmatic or policy ideas of political actors but also from the historical and political context that has been created by the activation of those ideas at any given time as well as over time.

To explain such processes of ideational activation and institutionalization is naturally beyond the scope of this article. But to explain how background ideas change (or continue) over time is a necessary complement to the above discussion.

Theorizing Change and Continuity in Neo-Liberal Background Ideas

Adding to the complications of sorting out how different forms and types of ideas interrelate at different levels is how background ideas may change over time. While philosophical ideas are generally seen as changing very slowly and policy ideas very rapidly, policy programs may be seen as undergoing revolutionary change over time when cast as paradigms or as evolving in time when understood in terms of programmatic ideas.

The problem with focusing on philosophical principles on their own is that taking a very general approach may lead us to assume little or no change over time, as in the case of neo-liberal ideas, because they are always about more markets and less state. But closer examination, as we have already demonstrated above, shows significant albeit slow change over longer periods of time—e.g., as neo-liberal strands of thought succeed one another and/or emphasize one or another element of the philosophy, e.g., in the different rules-based approaches of the German and Austrian schools, or in the increasingly anti-state, pro-market development of the Chicago School. Change itself is multi-varied, with some philosophies fading away and others ever resilient—due to mechanisms of adaptation, mutation, and metamorphosis in programs and policies. This has helped explain the resilience of neo-liberalism in particular (Schmidt and Thatcher 2013). Over time, for example, neo-liberal core ideas about the reduction of state spending moved from cognitive justification in terms of protecting money as a ‘store of value’ in the 1920s to instituting ‘austerity’ to prevent inflation after the 2007/8 economic crisis (Blyth 2013b; Gamble 2009, 2013). Moreover, in different contexts, neo-liberal principles have combined with socio-democratic principles. In Germany and Sweden in the 2000s, for example, the neo-liberal emphasis on deploying markets to allocate resources or competition was integrated with corporatist ideas, producing ‘corporatist-managed liberalisation’ in which the ‘social partners’ became important participants with management in ensuring firms’ international competitiveness (Schnyder and Jackson 2013).

But while the change in philosophical background ideas is generally theorized as slow and evolutionary, theorizations of change in programmatic ideas are split between those who see such change also as evolutionary and those who prefer a more revolutionary approach. The revolutionary view of programmatic ideational change sees it occurring rapidly through sudden conversions during times of uncertainty, when institutions fail, people question the ideas upon which they are based, and then develop alternative ideas with rival narratives. This produces what Blyth (2002, pp. 34-44) has called a moment of ‘Great Transformation’, following Polanyi, with the ‘embedding’ of (neo-Keynesian) liberalism in the 1930s in the US and Sweden and its ‘disembedding’ in both countries beginning in the 1970s, when neo-liberal ideas took hold. Another such approach to revolutionary programmatic change is as an abrupt shift in paradigm, following Kuhn (1970), as in Hall’s (1993) account of Prime Minister Thatcher’s switch to a monetarist policy program in the UK beginning in the late 1970. In this context, Hall (1993) identified three different orders of change, in which paradigmatic shifts constitute ‘third order’ revolutionary change, as opposed to first and second order shifts, where policy instruments and/or methods change but not core (background) ideas. A different way of

thinking about this, with more focus on the ideational processes of paradigm change, is to conceive of it as involving different degrees of transformation, with (first order) recasting of the relations among the different existing ideational elements, (second order) renewal of some elements in a web of ideas but not all, or (third order) revolution, as an entirely new set of ideas is substituted for existing ones (Schmidt 2002, pp. 222-25; Carstensen 2013). In this view, while Thatcher's neo-liberal conversion of the UK could be seen as (third order) revolutionary change, Prime Minister Blair's 'third way' program could be seen as representing a social-democratic (second order) renewal of Thatcher's paradigm, with new instruments replacing Thatcher's conservative roll back of the state to free up markets with a more social-democratic roll out of the state to enhance market performance (Schmidt and Woll 2013). This moderated approach offers a bridge between revolutionary and evolutionary theories of change.

Evolutionary theories of programmatic change focus on slow transformations over time through incremental steps via adaptation and adjustment to changing realities (Berman 2006; Fourcade 2009). This could certainly describe the development of ordo-liberalism in Germany, or how neo-liberalism itself has been adopted and adapted in different contexts, such as in Germany and Sweden. Alternatively, building on the historical institutionalist work of Streeck and Thelen (2005), we could talk of agents 'layering' new ideational components onto the old programmatic ideas, converting them to new uses, or causing them to 'drift' by various subterfuges. This is one way of viewing the transitions in the UK, say, from Thatcher's conservative neo-liberalism to Blair's overlay of social-democratic ideas on Thatcher's neo-liberal core principles. Processes of reinterpretation and conversion could also help describe the ways in which the EU has over time increasingly converted the liberal rules of the Treaties into neo-liberal ones, in particular in terms of competition policy (Thatcher 2013), and how it came to 'ramp up' the supranational 'state' for further reinforcement of the rules of the Stability and Growth Pact during the Eurozone crisis through successive legislative pacts and intergovernmental agreements and treaties (Schmidt and Woll 2013).

Resolving the tension between revolutionary and evolutionary approaches to change in policy program is not easy. For revolutionary approaches in particular, major questions remain, including when changes occur and why. Evolutionary approaches tend to avoid such questions by providing a complex historical account that identifies the sources of change and traces the processes of change while pointing to the wide range of factors that help explain the change. As a result, however, evolutionary approaches may appear to lose the forest for the trees. By comparison, revolutionary approaches appear more focused on the forest, but risk losing the trees—in particular during the un-theorized moments of crisis and transition. Left unclear is when a new paradigm can be said to take root: When its proponents come to power? When the ideas are institutionalized? When the public comes to accept the core ideas so much that they fade into the background (Skogstad and Schmidt 2011)? And what are the sources of change, events or ideas? As Blyth (2013a) has shown, Hall's (1993) paradigm theory leaves an unresolved tension between a Bayesian (positivist) view of causation, in which 'facts' about policy are assumed to trump ideas, and a constructivist one, in which agents' ideas about the 'facts', whether they are truly facts or not, determine perceptions of the policy.

Tracing the Dynamics of Change in Background Ideas through Neo-Liberal Agents in Discursive Interactions

Discussions of continuity and change in ideas are incomplete without the considering the interactive processes through which sentient agents articulate their ideas through discourse for debate, deliberation, and contestation. Background ideas tied to a given economic philosophy do not start out as ideas that exist in the background, nor do they generally end as such. Rather, at their inception they are the result of conscious construction by agents committed to a certain set of philosophical ideas, which they work hard to promulgate through persuasive discourses. Such discourses may seek to persuade by arguments seeking to demonstrate the cognitive and normative validity of the philosophical ideas themselves, or by promoting a particular set of policy or programmatic ideas underpinned by the philosophy. The ideas themselves become background ideas only once they recede into the background, meaning that they become so accepted that their very existence may be forgotten, even as they may have come to structure peoples' thoughts about the economy, polity, and society.

That said, background ideas should not therefore only be seen as hard or immovable structures dominating people's thoughts—as in Foucault's sense of the 'archeology' of a given discursive formation (2000). Rather they are better seen as constantly evolving, malleable structures subject to continual reconstruction by sentient agents who may unconsciously change them as they are using them—explained in discursive institutionalism as part of agents' 'background ideational abilities'—and who may consciously critique them even as they use them—as part of agents' 'foreground discursive abilities' (Schmidt 2008, 2012). In other words, background ideas may be continually evolving through agents' unconscious use of them, but will come to be recognized consciously when critics contest them—a view also taken by Gramsci (1971) on the role of intellectuals. Beyond this, however, ordinary people may also come to recognize the ideas that dominate, despite their having receded into the background, when they clash with other ideas—as in the psychology of cognitive dissonance (Schmidt 2008, 2012).

So who are the architects of these kinds of background ideas? And how, when, and why do the philosophical principles they elaborate become the taken-for-granted core ideas underpinning programmatic ideas and inspiring policy ideas? Taking a revolutionary perspective on the origination of new background ideas, we could look to great thinkers who are key figures in a transformative discourse promoting a new core idea. Examples include Kuhn's (1970) 'great scientist' with a new core 'paradigm', like Newton or Einstein, and Quentin Skinner's (1988) 'great philosopher' who is great because able to produce a 'text' that captures the spirit of the age by building on the work of lesser fellow philosophers while reweaving past communal memories and understandings into something new and different that nevertheless continues to resonate with the population (Schmidt 2012). A more evolutionary view of the origins and implantation of background ideas would replace the individual genius with a wider range of thinkers over successive generations who build on one another's ideas over time. For neo-liberalism, a

revolutionary perspective would focus on the founders of the various neo-liberal schools of thought, including Hayek, Friedman, and Buchanan (e.g., Wapshott 2012), whereas an evolutionary perspective would focus on the flow of ideas from founders through their successors, whether ordo-liberals (e.g., Foucault 2004; Lehbruch 2001; Ptak 2009) or neo-liberals (e.g., Peck 2010; Denord 2007; Tribe 2009).

When we shift from these originators of the philosophical principles that constitute the deep background ideas to the ‘second-hand dealers’ in ideas who embrace such principles, we need to consider the wide range of actors involved in discursive processes of policy construction and political communication. In the policy sphere, this interactive process entails a ‘coordinative discourse’ of policy construction animated by policy entrepreneurs (Kingdon 1984) or ‘mediators’ (Jobert 1989; Muller 1995) and discursive policy communities. These include epistemic communities (Haas 1992) and discourse coalitions (Lehbruch 2001) of loosely connected, like-minded converts who operate in academe, think tanks, and professional networks, spreading their ideas without necessarily having a direct or immediate impact on the policy-making process as well as ‘advocacy coalitions’ (Sabatier 1993) and ‘advocacy networks’ (Finnemore and Sikkink 1999) in which like-minded scholars, experts, and activists join with policymakers in pushing their agenda forward.

In the case of neo-liberalism, while a fully developed epistemic community was centered around it in the 1930s—culminating in the Colloque Walter Lippman in Paris in 1938 to celebrate the French translation of the American journalist’s 1937 book—it was to become the focus of a self-conscious advocacy network only in the postwar period. This network operated initially through the Mont Pèlerin Society’s ‘thought collective’ of like-minded individuals who, even if they disagreed on specific questions, sought to jointly develop and widely disseminate the results of their neo-liberal thinking (Plehwe 2009, 4, 11-13; Harvey 2005, 20-22). The Mont Pèlerin Society’s annual meetings included not just the leaders of neo-liberal thought—Hayek, Friedman, and Buchanan—or of German ‘ordo-liberal’ thought like Alexander Rüstow and Wilhelm Röpke, along with other well-known thinkers such as Karl Popper and Arthur Seldon. Also in attendance were think tanks, such as the UK Institute of Economic Affairs and the US American Enterprise Institute, business corporations and foundations, equally important for funding the meetings, and economists (Plehwe 2009; Schmidt and Thatcher 2013). There were also many economists present who were key not only in generating neo-liberal ideas but also in training new generations of economists who could put such ideas into practice once they gained positions of power and authority (Fourcade 2010). Finally, there were also a number of politicians such as Ludwig Erhard, future Chancellor of Germany, and Alfred Armack-Müller, architect of Germany’s social market economy, as well as Italian thinker and politician Luigi Einaudi, future Prime Minister of Italy. After all, if ideas are going to be put into action, they not only have to gain traction in the policy sphere; they also need to win out in the political sphere.

In the political sphere, the interactive process involves a ‘communicative discourse’ of political persuasion in which political entrepreneurs—including politicians, spin doctors, and political parties—translate the ideas developed in the policy sphere into language

accessible to the general public and then engage with the media, rival political parties, public opinion leaders, and other informed publics in election campaigns, public debates, as well as in everyday political exchange (e.g., Habermas 1989; Mutz, Sniderman, and Brody 1996; Zaller 1992). The persuasive process itself may come not only from the top down but also the bottom up, through activists in social movements and changes in public sentiment (e.g., Keck and Sikkink 1998). But the final test has to do with winning elections. And for this the focus needs to be on the political leaders who, as political entrepreneurs, may be classified as ideological, pragmatic or opportunistic, depending upon how, why, and to what extent they took up and/or stayed with neo-liberal background ideas (see Schmidt and Thatcher 2013; Schmidt and Woll 2013).

Ideological entrepreneurs can be seen as prime movers for neo-liberal reform, with their discourse espousing a genuine belief in a set of philosophical ideas that inform their policy programs and policy ideas. The most notable example is UK Prime Minister Margaret Thatcher (1993), who quoted Hayek as she insisted that the free market would release the ‘spirit of enterprise’ while guaranteeing liberty, and attacked postwar notions of social justice and equality for overriding liberty by limiting choice and competition. But even the ‘Iron Lady’ was not a force unto herself. Thatcher was fueled by neo-liberal ideas that had developed in the UK in the 1970s in epistemic communities made up of the financial press, economists, central bankers, and a small wing of the Conservative party, of which Thatcher herself was a prominent member (Hall 1993). But whatever the importance of the coordinative discourse among policy actors, the key to Thatcher’s success in implanting neo-liberal background ideas was largely due to her communicative discourse to the public, in which she was intent on getting people to believe what she believed as she imposed reform. The contrast with New Zealand, which was similar to the UK in institutional context, is telling. There, an equally ideological political entrepreneur (the Minister of Finance Douglas) engaged in little communicative discourse as he imposed neo-liberal reforms, assuming that people would come to believe what he believed. Instead, they voted to change the very institutional set-up that would enable any leader to impose such unpopular policies (Schmidt 2000, 2002b, 177-8).

Opportunistic entrepreneurs are at the opposite end of the spectrum, with little or no deep ideological commitment to neo-liberalism, but with a strong desire to gain political power, meaning that they would seize on any ideational opportunity to win elections. Italian Prime Minister Berlusconi is at the head of this list, having promised neo-liberal reforms in every election campaign he fought, and delivering almost none once elected. President Chirac fits this category as well, beginning in the mid 1980s, when in his campaign discourse he picked up on the ideas of the radical neoliberals who provided the intellectual ideas for the right’s conquest of power in 1986 (Denord 2007; Schmidt 2002, Ch. 6). When he lost the 1988 presidential election, however, he also lost his neo-liberal enthusiasms. French President Sarkozy also makes the list, given the strong neo-liberal discourse in his 2007 election campaign that was followed by a complete reversal at the onset of the economic crisis in 2008, when he espoused increased state *dirigisme* with neo-Keynesianism. He then returned to neo-liberalism in Spring 2010, once he lost regional elections, then added ordo-liberalism in May 2010, when agreeing to reinforce

the Eurozone stability rules in exchange for the Greek bailout (Gualmini and Schmidt 2013).

In between, we find the *'bricoleurs'* (Carstensen 2011), or pragmatic ideational entrepreneurs who seek to solve problems and engineer compromise by adding elements of neo-liberalism to pre-existing policy mixes or preferred programs. In Germany, while the ground had already been prepared by the *'discursive coalition'* of the Freiburg school of ordo-liberal economic thinkers in the prewar years, success in the 1950s had a lot to do with the fact that a pragmatic ordo-liberal political entrepreneur, Chancellor Ludwig Erhard, managed to engineer the compromise that embedded ordo-liberalism in the management of the market economy even as it added a significant *'social'* component to it, to create the social market economy (Lehmbruch 2001; Ptak 2009).

Arguably, most of the social-democratic leaders of the late 1990s and early 2000s could also be cited here as pragmatists, with their general refrain of *'equity and efficiency,'* promising social-democratic attention to social justice even they introduced greater neo-liberal liberalization (Levy 1999). But there were differences amongst them. For example, while Blair espoused Thatcherite neo-liberal background ideas about the need for competition in the economy, his use of globalization as justification invoked necessity rather than ideology (Hay 2001). In contrast, for welfare state reform, instead of Thatcher's normative differentiation of *'the worthy poor'* versus *'the feckless and the idle'*, Blair's social-democratic legitimation emphasized the need to create equal opportunities, so that welfare would be *'not a hammock but a trampoline,'* not a *'hand out but a hand up'* (Schmidt 2002, p. 269). In Italy, the technocratic experts appointed to leadership positions in moments of crisis in the 1990s were pragmatic entrepreneurs whose discourse emphasized the cognitive necessity of privatization and pension cuts in view of the crisis and to enable the country to join the euro, while arguing for the normative appropriateness in terms of national pride. In France, the social democratic politicians engaged in neo-liberal reform since the 1980s were also pragmatic entrepreneurs whose cognitive arguments cast neo-liberal reform as a necessity, but called it *'modernization,'* and had difficulty providing normative legitimation, as noted above (Gualmini and Schmidt 2013). In Germany, by contrast, Chancellor Schröder was a pragmatic political entrepreneur who failed to articulate a communicative discourse to the public to legitimize the Hartz IV reforms, with reform successes due to the *'ideational leadership'* of his Ministers in coordinative discourse with the social partners (Stiller 2010).

Conclusion

Neoliberalism has been the greatest ideational success story of the last forty to fifty years in Europe and beyond. Neo-liberal background ideas have come to populate very different levels of ideas since the 1980s—from their embedding as deepest core philosophies, ideologies, and discourse to their embodiment in policy programs or paradigms and their manifestation in policy ideas. Their success in dominating the ideas and discourse of advanced industrialized democracies owes a lot to their ability to

cognitively justify and normatively legitimate their application in a wide range of ways, from narratives and frames through storylines and collective memories—and this even when other core ideas may have occasionally intertwined with neo-liberal ideas at different times in different institutional contexts.

The explanation of how neo-liberalism became predominant, whether through revolutionary or evolutionary change, points to the central roles of neo-liberal thinkers who have elaborated the philosophical principles of neo-liberalism. But that explanation also highlights the importance of discursive policy communities and policy entrepreneurs who have constructed and circulated the policy and programmatic ideas derived from the philosophy as well as of political entrepreneurs who have engaged in dialogue and debate with the informed as well as general public. Of particular note are the political leaders—whether ideological, pragmatic, or opportunistic—who have widely disseminated these ideas, whether they implemented those ideas *in toto*, in part, or even not at all.

For all this, “background ideas” as a concept remains somewhat elusive and difficult to pin down, largely because it may seem to apply to too much. Can background ideas really be present in philosophy, program, and policy, all at the same time? Yes, to the extent that the core ideas remain unquestioned. But are they still background ideas even if they are brought to the fore by critics? Yes, because even where neo-liberal principles are critiqued, people have great difficulty thinking beyond them. Until new potential background ideas are developed as philosophies, promoted in policy programs and policies, developed by policy entrepreneurs and disseminated by political entrepreneurs, supported by discursive communities and pushed by social movements, we are unlikely to find the pathways to take us beyond neo-liberal background ideas.

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