

**The Politics of Anomalies:  
Policy Formulation Processes and the  
Transformation of the Industrial Policy Paradigm in Canada**

by

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## **Abstract**

This thesis introduces a research programme to develop and test a theory for understanding the role of ideas in the policy process. By focusing on actors' treatment of policy anomalies, the theory builds upon existing frameworks that map "orders" of ideational change using the concept of policy paradigms. The empirical section employs discourse analysis and process tracing techniques to explain industrial policy change in the province of Saskatchewan between 1970 and 1995. Using new analytical tools, this thesis explains how paradigmatic ideas may come to be *dominant*, *hegemonic* or *contested*, and how formulation processes came to yield the replacement of the industrial policy paradigm in many other jurisdictions but a much less consequential paradigmatic shift in Saskatchewan. The concluding section outlines the next steps of the research agenda and highlights areas in which discourse analysis may play a greater role in the policy sciences.

**Keywords:** Policy formulation; policy anomalies; process tracing; discursive institutionalism; paradigms; industrial policy

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## List of Acronyms

ACF	Advocacy Coalition Framework
AIT	Agreement on Internal Trade
CCF	Cooperative Commonwealth Federation
CIC	Crown Investments Corporation
CIGOL	Canadian Industrial Gas and Oil
DI	Discursive Institutionalism
DNS	Department of Northern Saskatchewan
ELI	Export-led Industrialisation
GCM	Garbage Can Model
HI	Historical Institutionalism
IAD	Institutional Analysis and Design (framework)
IP	Industrial Policy (paradigm)
IPSCO	Interprovincial Steel Pipe Corporation
ISI	Import Substitution Industrialisation
PA	Policy Anomalies (framework/theory)
PAPCO	Prince Albert Pulp Company
PC	Progressive Conservative Party
PCS	Potash Corporation of Saskatchewan
PEF	Punctuated Equilibrium Framework/(theory)
PIP	Post-Industrial Policy (paradigm)
MS	Multiple Streams (framework)
NDP	New Democratic Party
RI	Rational Choice Institutionalism
SEDCO	Saskatchewan Economic Development Corporation (see also SOCO)
SI	Sociological Institutionalism
SMDC	Saskatchewan Mining Development Corporation (SaskMinerals)
SOCO	Saskatchewan Opportunities Corporation

# **1. The Politics of Anomalies: Introduction**

Since the emergence of the new institutionalism in the late 1980s, academics have sought to render theories of the policy process more descriptive of the gamut of political phenomena (see Koelble 1995; Hall & Taylor 1996; Immergut 1998; Lowndes 2010). Considerable gaps nevertheless remain unfilled in the understanding of specific proceedings that occur within the broader process of policymaking (see Brewer 1974; Anderson 1975). As holistic theories of the policy process become increasingly influential (Schneider & Ingram 1988; Sabatier 1988; Baumgartner & Jones 1993; Ostrom 2005; De Vries 1999), processes that are unique to the formulation stage remain poorly understood (deLeon 1992). How it is that policy change occurs is even less well-defined and the subject of conflicting interpretations (see Heclo 1979; Lindblom 1959: 1979). Building upon insights developed in the early new institutionalist literature (see Hall 1986; 1989; March & Olsen 1984; Evans et al 1985; Weir & Skocpol 1983), the objective of this thesis is to develop a theory of the formulation process. It is shown that adequately accounting for policy change is dependent upon a more thorough understanding of processes of recurrent formulation (see Teisman 2000; Hajer 2005; cf. Goldstein 1993).

Borrowing concepts developed in the sociology of science, Hall (1990; 1993) introduced the notion of policy paradigms as a means to link formulation to policy change. Following Kuhn's work on scientific revolutions, Hall argued that change processes in policy spheres approximated processes in the natural sciences where it had been theorised that shifts in dominant sets of ideas acted as the driver of scientific revolutions (cf. Masterman 1970). Hall's hypothesis was a welcome addition to the literature on policy processes for two principle reasons. First, ideational shifts could explain periods of both paradigmatic stability and revolution. Second, Hall's description of the process of ideational evolution could account for both the slow and rapid tempo of change (cf. Durant & Diehl 1989). Convincingly accounting for such phenomena was

something many scholars puzzled over, but few conventional theories and frameworks could do (see Breunig & Koski 2012).

The parallel with the Kuhnian model was, however, received without serious examination by academics. In spite of thousands of citations, Hall's notion of policy paradigms has tended to be used without reflecting upon the appropriateness of the analogy to the natural sciences and has seldom been the subject of rigorous testing (see Goldstein & Keohane 1993; Schön & Rein 1996; Bevir & Rhodes 2003; cf. David 1985; Jenson 1990; Masser et al 1992; Berman 1998; Capano 1999; 2003; Palier 2005; Orenstein 2013). Policy scholars' interest in the impact that ideas have on policymaking has meanwhile proliferated (see Busch & Braun 1999; Hay 2001; Carpenter 2001; Capano 2003; Doyle & Hogan 2008; Béland 2009; Cairney 2009; Jacobs 2009; Schrad 2010; Schmidt 2010; Skogstad 2011). In a rare test of Hall's premises, Oliver and Pemberton (2004) re-examined the case of 20<sup>th</sup> century British monetary policy but arrived at considerably different conclusions concerning the nature of policy change and paradigmatic change processes in particular. Partly as a result of such inconsistencies, paradigmatic analysis in the policy sciences has recently become the subject of more interest and evaluation than in the past (see Capano 2009; Howlett & Cashore 2009; Berman 2013; Blyth 2013; Baumgartner 2013).

Adding to this discussion and debate, the policy anomalies (PA) theory developed in this thesis aims to more thoroughly integrate hermeneutic aspects that influence policy change in its description of policy-oriented learning (cf. Stone 1989; Kay 2009; Gieve & Provost 2012; May 1992). While most theories of the policy process focus upon the influence of interests and institutions (see Schmitter 1977; Timmermans 2001), the epistemological argument put forth in this thesis stresses that learning is an appropriate starting point for any discussion of the role of ideas in the policy process because political variables cannot be adequately disaggregated from the learning processes the following sections describe (see King 1973a; 1973b; Simeon 1976; Jenkins-Smith 1988; Sewell 1992; Drake & Nicolaidis 1992; Schmidt & Radaelli 2004; Zahariadis 2007; cf. North 1990; Majone 1989; Scharpf 1997).

## **1.1. The Problem: Accounting for Anomalies in Processes of Policy Change**

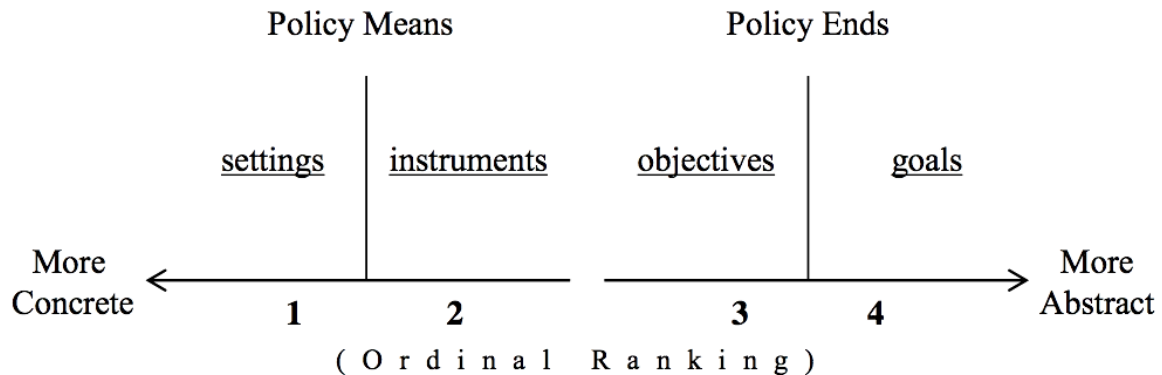
The main purpose of this thesis is to clarify and theoretically address the problematic treatment of anomalies within existing frameworks. Though many methods exist for assessing the impact of political variables on policy outcomes using static analysis (Frieden 1999; Notermans 2007; Weingast 1996), previous frameworks used to model and understand processes of paradigmatic change offer insufficient detail in identifying the causal agent(s) of such changes (see Haydu 1998; John 2003; Schmidt 2010). Poorly delineated avenues of causation have contributed to manifold problems in the formulation literature, the most consequential of which have been the compartmentalisation of leading concepts into disparate frameworks (see Dowding 1995; 2000; John 2003; Real-Dato 2009). With respect to Hall's paradigms, testable hypotheses are rendered vague by the framework's failure to properly identify and account for agents of change; as Kay (2009: 50) argues, "the main problem with Hall's formulation is that it is static rather than dynamic; it does not explain how changes in settings, changes in instruments, and ideational changes in the dominant policy paradigm interact over time." Though it is debatable whether Hall's framework should be considered static, methodological issues stemming from the absence of testable hypotheses have likely led to inconsistent findings in the case of 20<sup>th</sup> century British economic policy and to the failure of paradigms to be more fully integrated into the theoretical mainstream (Berman 2013).

## **1.2. A New Processual Framework and Ideational Theory of Policy Change**

This thesis advances a revised conceptual framework of anomaly recognition and contestation as a method of explaining the mechanics of both incremental and wholesale change. To better integrate the PA theory with other developments in the policy sciences (cf. Campbell 2002; Rueschemeyer 2006), this thesis follows an amended four order formula for operationalising the dependent variable —type or "order" of policy change— that is an important methodological departure from both Hall and Oliver and Pemberton. A four order framework allows for disaggregation of the dependent variable (policy

change) into adjustments to policy means and policy ends according to level of abstraction (see Howlett & Cashore 2007). Policy means refer policy instruments and their settings, whereas policy ends have to do with programmatic objectives and abstract goals.<sup>1</sup> In the revised framework, policy means and ends, and changes thereto, are ranked ordinally from most concrete to most abstract (see Figure 1).

**Figure 1. Ordinal Disaggregation of Policy and Policy Change**



As shown in Figure 1, instrument settings (and changes thereto) are more concrete than changes to instruments themselves. Changes to programmatic objectives are more abstract than changes to instruments, and changes to paradigmatic goals are in turn more abstract than changes to programmatic objectives. The increasing degree of abstraction from instrument settings to paradigmatic goals is critical to understanding policy decisions and change because decisions to alter an element of policy depends upon inferences made about a given element’s cause-and-effect relationship to other components. That is, a decision to implement a specific instrument mix will depend upon decision-makers’ belief that policy instruments will satisfy programmatic objectives and, consequently, that the fulfillment of programmatic objectives will culminate in the achievement of paradigmatic goals (cf. Schneider & Ingram 1997).

<sup>1</sup> Policy instruments are the specific procedural and substantive methods used to govern a given policy area. Instrument settings (or calibration) are the manipulable element of policy that allows instruments to be fine-tuned to specific purposes (for example, the amount of a grant or the percentage of a tax) (see Hood 1983; Salamon & Elliot 2002; Bemelmans-Videc et al 2003; Howlett 2011; cf. Matland 1995). Programmatic objectives refer to the tangible purpose of policy programmes, while abstract goals relate to societal ends in the aggregate.

While instrument targets are related to policy objectives, it is important to note that the two are not synonymous; nor are instrument targets synonymous with instrument settings. *Instrument targets* refer to the specific (usually quantifiable) performance indicators of the policy instrument itself. *Settings* refer to the particular calibration of the instrument considered best suited to meet performance targets. Programmatic *objectives*, subject to their own more macro-level performance indicators, refer to the larger “purpose” of policy, and can be conceived of as the intended cumulative effect of instrument targets being met.<sup>2</sup> Determining success at various levels is therefore dependent upon a chain of inference that connects the elements of policy in ordinal fashion. Box 1 provides a detailed example of how policy may be disaggregated according to its four components.

**Box 1. Example of Policy Disaggregated into Ordinal Components**

To combat cyclical recession, the decision is made by government to promote mineral development. A joint venture is negotiated between the government and a foreign firm to set up extraction and processing facilities. The government contributes \$900 million out of a total \$1.2 billion in start-up costs in exchange for 20% equity ownership of the facilities. It is hoped that unemployment will be curbed by 2%, that 10,000 new jobs will be created in the area, and that the profits gained from the venture will help balance the budget by adding \$2 million in annual taxes and royalties to general revenue, shielding the budget from future recession. Taxes and royalties are calculated based on a sliding scale according to the operation’s financial return.

The abstract (paradigmatic) *goals* governing the decision in the example given in Box 1 relate to the idea that economic diversification, if only it could be made viable, would protect the state from future recession (cyclical recession being the broad conceptualisation of the policy problems facing the state). The programmatic *objective* of the policy is development in the mineral resource sector. The policy *instrument* is the joint venture itself, though the royalty schedule is a closely related instrument. The instrument targets in the example therefore involve two components. The targets of the joint venture have to do with whether the facilities can actually be built at the negotiated

<sup>2</sup> For example, a housing subsidy as a policy instrument may have an instrument target of reducing the cost of housing to 10% below market value. Regardless of whether this instrument target is reached, the programmatic objective of housing 1000 low income families may or may not be satisfied. Similarly, regardless of the lowermost three orders of policy, the abstract goal of eliminating or reducing poverty may or may not be met.

price and for the agreed upon equity ownership. Achieving or falling short of the \$2 million per year revenue target can be interpreted as either a measure of the royalty structure's success (as a policy instrument) or attributable to the policy's objectives since the royalty structure is based on the financial return of the venture and, hence, the strength of the mineral resource economy. Strict measures of the success of the policy's objectives have to do with the targeted 2% increase in employment and the addition of 10,000 new jobs. The instrument *settings* (calibration) of the joint venture as a policy instrument refer to the 75% start-up cost covered by government and the 20% state ownership of the enterprise. The settings of the royalty schedule as an instrument refer to the percentage deducted from the venture's revenues (a non-fixed rate).

The example in Box 1 exemplifies how each element (settings, instruments, objectives, goals) is dependent upon ontological assumptions made about the relationship between lower and higher levels of abstraction. The success of a societal goal is dependent upon the programmatic objectives of policies, which are in turn dependent upon the success of instruments in meeting their specified targets, which are themselves dependent upon decision-makers having gotten the instrument settings right. Would an increase in annual revenue of only \$1 million have decision makers giving up on the abstract goal of a diversified economy? Probably not; though a consequential glut in the global mineral market, double digit unemployment and record deficits might have the government questioning the virtues of the programmatic objective of getting into the mining business. Such is the crux of the iterative theory for understanding processes toward paradigmatic change. That is, if successive failures were to accumulate to the point that governments questioned the ability for activist industrial policy to yield net economic benefit, then the failures would be said to prompt paradigmatic change, either in the form of a *shift* or via wholesale paradigm *replacement*.

The ontological beliefs or *inferential logics* linking programmatic objectives and abstract goals are the essence of paradigms (see Kuhn 1962; 1970; Hall 1990; 1993; Lakatos 1968; O'Sullivan 1999; cf. Muller & Jobert 1987). These inferential logics can only be distinguished using a four order framework that analytically delineates between the concrete and the abstract. Subtleties resulting from contested inferential logics are said to be capable of producing *paradigmatic contest*, *paradigmatic synthesis* and



*paradigmatic shift* under conditions un conducive to wholesale paradigmatic replacement. Examination of the inferential logics employed by decision-makers is essential for recognising important differences between industrial policy (IP) and post-industrial policy (PIP) paradigms in the case examined in Chapter 4 (cf. Berman 1998).

According to the PA framework, iterative processes are considered to be the product of the interpretation and contestation of policy anomalies. The theory contends that participants “order” anomalies according to what elements of the status quo are determined to be producing problems, prompting actors to formulate what they perceive to be appropriate solutions. That is, anomalies determined to arise from problems with instrument settings will beget *calibratory* solutions, instrumental anomalies will evoke *instrumental* solutions and so forth. The political dimension of anomaly definition lies in contested interpretation. Defenders of status quo policies (i.e., the members of the systemic governing coalition) will be loath to acknowledge that anomalies are a product of any element of policy (see Orenstein 2013: 260-261). When they do, advocates of the status quo will generally argue anomalies to be a consequence of instrument settings in need of tweaking or a consequence of instruments in need of buttressing by way of more elaborate instrument mixes (cf. Felstiner et al 1980). Partisanship and other factors that determine the actors’ positions figure heavily into how iterative processes play out since not all individuals and coalitions are equally influential or have equal access to resources.

Although actor perceptions of policy problems will be conditioned heavily by ideological beliefs (Sabatier 1988; Goldstein & Keohane 1993), coalitions’ interpretation of policy anomalies, and therefore the consequent type of *policy iteration*, will be affected by anomalies’ previous definitions and by the perceived success or failure of resultant experiments with policy alternatives (Blyth 2002; see Rochefort & Cobb 1994; Schulman 1988). Examining the discursive aspects of policymaking is therefore central to testing the theoretical premise that other ideational variables translate to individuals’ and coalitions’ definition of policy problems, which acts as the operable mechanism influencing policy change (Goldthorpe 2001).<sup>3</sup> As Schmidt and Radaelli (2004: 187)

<sup>3</sup> Though Teisman (2000: 947) does not elaborate upon types of actor coalitions in the development of the “rounds model”, actors are said to “assess to what extent other actors share their definition of reality and proceed to interact on this basis.”

argue, “discourse may operate on all mediating factors.” While authoritative definition remains critical to understanding policy change in the substantive sense (see Hofferbert 1974; Hay 1996), attention to the discourse dynamics involved in the stages preceding formal decision-making is necessary to understand the most consequential aspects of the policy process (see Blyth 2013; Skogstad 2005; Cox 2001; Teisman 2000; Scharpf 1997; Schattschneider 1960).<sup>4</sup>

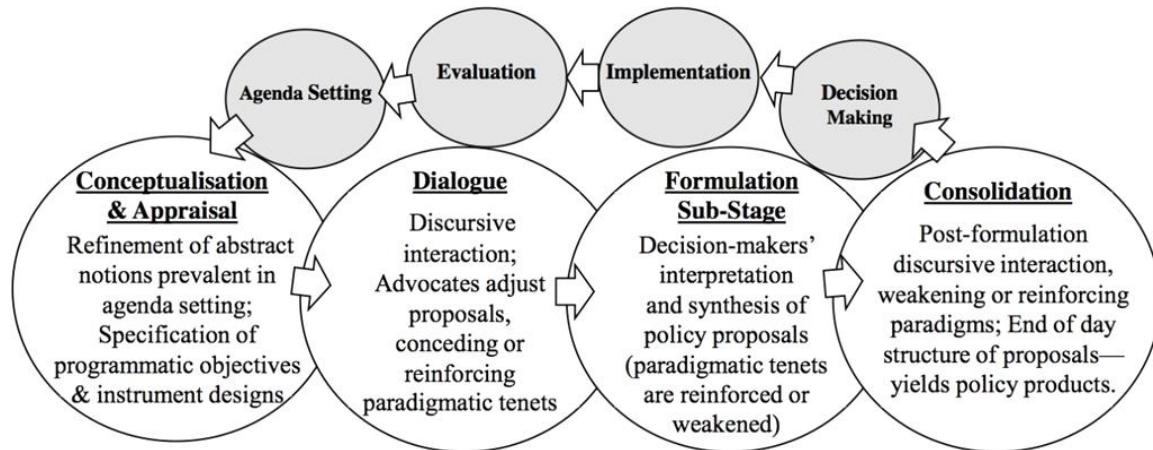
To properly account for pre-decision subsystem dynamics, this thesis advocates for a three-stage approach to paradigm transformation that contrasts sharply with the two-stage concept developed by Hall (1990: 66-67; cf. Berman 2006; 2013; Trachtenberg 1983). Béland (2009) argues that ideas can be used as “discursive weapons” that possess the potential of yielding paradigmatic disintegration, consolidation or resilience to change and alludes to the processes under which full consolidation of a new paradigm may be blocked due to the power of status quo or other alternative ideas. Béland (2009: 708-709) is therefore sensitive to a three-stage process of paradigm consolidation whereby considerably more alteration to the abstract goals and programmatic objectives of policy may take place in the interim between initial conceptualisation and authoritative decision-making than is permitted in the two-stage Hallsian approach (see Howarth et al 2000; Kjaer & Pedersen 2001). That is, while Hall envisaged a process of conceptual contestation followed by an authoritative choice among alternatives (usually between the institutionalisation of a new paradigm or a continuation of the status quo), Béland argues that an important stage exists between conceptualisation and decision-making during which significant alterations may be made to policy proposals (cf. May 1992).

Instead of conceiving of policy transformation as dependent upon decision-makers’ willingness to endorse paradigmatic ideas emanating from policy subsystems, this thesis builds upon observations made by Thomas (2001) that the micro-processes of the formulation stage add at least one additional point of articulation that may have significant consequences for the magnitude of change advocated within a given proposal.

<sup>4</sup> Capano (2003: 791) argues that evaluation of paradigmatic change ought to embrace “two different angles”, involving analysis of both “how the new words, terms and concepts used by reformers relate to the underlying logic of the inherited paradigm” and “the strategy by means of which the cultural ‘innovations’ and new formal rules are dealt with as reform is implemented in practice” (cf. Foucault 1972).

As such, the rigid definition of paradigms employed by Kuhn (1970) and Hall (1990; 1993) is dropped in favour of a softer image of paradigms (see Chapter 2).<sup>5</sup>

**Figure 2. Micro-level Processes of the Formulation Stage**



Source: Adapted from Thomas (2001).

Figure 2 breaks down the process of formulation into four distinct phases that range from the conceptualisation of paradigmatically pure policy alternatives through to the consolidation of refined policy products. *Conceptualisation and appraisal* relates to individuals' or coalitions' pure conceptions of policy solutions based on perceived anomalies. *Dialogue* and *sub-stage formulation* refers to the process by which positions established during conceptualisation may become more or less paradigmatically precise as a result of discursive interaction and ideational *bricolage* (Garud & Karnøe 2003). The first three micro-level processes determine the degree of ideational or paradigmatic consolidation going into the last round of discursive interaction in the formulation stage. These rounds, along with adjustment processes inherent to the authoritative *consolidation* of potential *policy products*, often result in failure to consolidate or maintain the ideational novelty present at conceptualisation (see Teisman 2000). The term policy product is used to denote decision-makers' synthesis of policy alternatives into tangible policy solutions. A policy product is not synonymous with "policy outcome" or "policy

<sup>5</sup> While the intention of consolidating and institutionalising a new paradigm may be on many actors' agendas within a policy subsystem at any given time, experiencing a degree of consolidation free from alterations that threaten the paradigmatic coherency of the policy product should be expected to be a rare occurrence. It is precisely the processes inherent to Béland's second stage that allow for the possibility or even the likelihood of mere paradigmatic shift as opposed to wholesale paradigmatic replacement.

output” insofar as the latter two terms relate to phenomena that can only be measured post-implementation (see Figure 2).

Applying a “thick descriptive” method of analysis, the methodology employed in this thesis identifies the individuals and coalitions that advocate for competing and incommensurable interpretations of policy problems, and assesses their behaviour as policies change over time (cf. Jones 1984; Kingdon 1995). Data is classified according to key terms and phrases used in primary document material (cf. George 1979).

- *Calibratory anomaly definition* exists when there is discursive reference to altering the instrument settings of existing policies;
- *Instrumental anomaly definition* exists when actors reference the use of alternative policy instruments or call for alteration of the instrument targets (but not objectives) (see Hall 1993: 278-279; Hood 1983; Salamon & Elliot 2002);
- *Programmatic anomaly definition* exists when current concrete policy objectives become the subject of doubt;
- *Paradigmatic anomaly definition* exists when advocates suggest the replacement of the broad and abstract goals guiding policy.

It is hypothesised that lower orders of anomaly definition will predominate within a given subsystem and that, as a consequence, calibratory and instrumental policy change will be the most common type of change observed. While policy anomalies may often be defined in programmatic and paradigmatic terms in the broader discourse community (see Howlett et al 2009), the literature suggests that they will rarely be framed in these terms by a majority of influential actors (Sabatier 1998; Baumgartner & Jones 1993; Lindblom 1979). The exceptions, which are well documented in both the theoretical literature on paradigms (Hall 1993; Oliver & Pemberton 2004) and the literature on policy conversion (see Streeck & Thelen 2005a), relate to instances where subsystemic actors have lost their credibility in diagnosing problems and formulating solutions (cf. Sabatier 1998; Baumgartner & Jones 1993) or when learning or change is a consequence of “spill-over” from parts of the outside policy community (True 2000; Büthe 2002; Kay 2005; Adams 2004). Under such circumstances, higher orders of policy change may occur at intervals that appear premature by the logic of the PA framework.

Though the iterative nature of the PA framework suggests that programmatic and paradigmatic anomaly definition and experimentation will typically occur only after a

succession of perceived failures following from lower order experimentation, numerous interpretations of the same problem may be articulated in any given subsystem at any given time. Competing and fringe coalitions will routinely define policy problems in drastically different ways than the dominant subsystemic coalition.<sup>6</sup> What is more, it is hypothesised that coalition members will debate amongst themselves as to the appropriate order of definition, but that this process will serve to crystallise the positions of the coalitions and only rarely result in defection (Sabatier 1998). Since it has been shown that policy objectives are capable of changing while institutionalised instruments are able to endure (Hacker 2004a; Thelen 2009; Lindner 2003), the revised theory relaxes the assumption that high order change will involve alterations to all lower order elements.<sup>7</sup>

### **1.3. Economic Diversification and the Industrial Policy Paradigm**

Industrial policy refers to activist or “state-led” economic diversification strategies whose adherents operate under a common paradigmatic understanding of how the economy works (see Dobbin 1997: 9-27; Amsden 1985; Johnson 1984; Katzenstein 1985; Wade 1990). Direct intervention in specific economic sectors, particularly in value-added production, is typically considered to be the hallmark of the industrial policy paradigm (Cimoli et al 2009; List 1885; Hamilton 1791). Between the late 1970s and the early 1990s, the debate on the virtues of industrial policy was waged and lost in most OECD countries, cumulating in the near obsolescence of the term by the 1990s (see

<sup>6</sup> The term coalition as it is used in this thesis is adapted from the advocacy coalition literature (Sabatier 1988; 1998; Sabatier & Weible 2007), which views coalitions as the predominant agent affecting change and continuity in (sometimes multi-levelled) policy subsystems. The dominant subsystemic coalition may include, but is not limited to, elected officials and other authoritative actors. Similarly, members of the Opposition may constitute competing coalitions, or competing coalitions may be comprised of other elected or non-elected individuals.

<sup>7</sup> Howlett and Cashore (2007) observe that abstract policy goals may change while well-entrenched and institutionalised objectives may remain intact. This observation is consistent with the literature on layering, conversion, and drift (see Hacker 2005; Kay 2007; Rayner et al 2001; Thelen 2004) and indicates that caution should be taken with respect to defining policy change as the institutionalisation of new policies or defining policy continuity in terms of institutional persistence (Lavenex 2001; Morgan & Quack 2005; cf. Genschel 1997; Deeg 2001; Schneider & Ingram 1988; Ingram & Schneider 1990).

Graham 1994; Campbell 1998; Canada 1985).<sup>8</sup> Speaking of industrial policy as a conscious effort on the part of government to diversify the economy through value-added industrialisation allows for the detailed analysis of a largely bygone industrial policy paradigm and, more importantly, the events leading to its overthrow or transformation.

The case evidence presented in this thesis concerns two broad ideational paradigms and, more particularly, the transition from one paradigm to the other. The broad paradigms are referred to throughout as the industrial policy (IP) paradigm and the post-industrial policy (PIP) paradigm. IP and PIP paradigms are often referred to in the literature, though sometimes inaccurately, as the Keynesian paradigm and the neo-liberal (or monetarist) paradigm (see Eichner & Kregel 1975; Mackay & Waud 1975; Currie 2004; Leal 2007; Robertson & Dale 2002; Oliver & Pemberton 2004). Misnomers to this effect are the product of poor specification of what constitutes an ideational paradigm, speaking to what should be considered instead as mere paradigmatic variation.

Paradigmatic variation occurs frequently and stems from two types of changes, means-related changes and ends-related. Means-related changes have to do with the types of instruments used and speak to whether industrial policy is qualitatively *statist* or *liberal*. Statist industrial policy involves heavy use of planning and highly visible organisational instruments, such as state-owned enterprises, to achieve its objectives (see Borins & Boothman 1985). Liberal industrial policy depends primarily upon treasure instruments to finance industrialisation (i.e., grants, subsidies, and loans), leaving matters of coordination largely up to the market (see Norton 1986). Sub-paradigmatic ends-related changes have to do with changes to programmatic objectives in the absence of paradigmatic goal alteration. To differentiate between dominant programmatic goals over time, the concept of industrial policy *epochs* is useful. Epochs can be classified according to their relative emphasis on import substitution industrialisation (ISI) or export-led industrialisation (ELI), and by defining each epoch according to relative adherence to *pure-staples*, *new-staples* or *post-staples* policy orientation (see Cohn 2012; Innis 1933; Mackintosh 1923; Pratt 1981; Howlett et al 1999). *Pure-staples* industrial strategy refers

<sup>8</sup> Though industrial policy persists as a generic term used in some circles to encompass any form of industrial strategy (including the conscious absence of strategic design), the usage of the term herein is consistent with the conventional definition.

to the export of minimally processed primary goods under a general policy of non-intervention aside from state assistance in establishing backward linkages (see Watkins 1963). *New-staples* industrial strategy involves adding value to primary goods prior to export (or domestic consumption) in order to reap the benefits of local processing. Owing to their high cost and technical complexity, setting up the requisite facilities for new-staples industrialisation usually involves substantial initial investment on the part of the state. *Post-staples* industrial strategy refers to conscious targeting of certain secondary (and sometimes tertiary) sectors in order to develop higher value-added industries and diversify beyond dependence on primary goods.

In spite of the applicability of the case study to paradigmatic analysis, the findings of this thesis run counter to common attitudes about the type or degree of change witnessed at the provincial level in Canada (Pitsula & Rasmussen 1990; Bradford 1999; McBride 2001; Hart 2002). While wholesale paradigmatic replacement undoubtedly occurred in the province of Alberta between 1992 and 1995, the process was highly context specific, provincially contained, and by no means a Canada-wide phenomenon. To account for the discrepancy in findings between total paradigm replacement in other western provinces and a mere paradigmatic shift in Saskatchewan, the concept of paradigmatic *gatekeepers* is discussed in Chapters 3 and 4. Nearly synonymous with paradigmatic “guardians” (Orenstein 2013: 264), gatekeepers attempt to control outside influence on paradigmatically pure policy ideas during the processes of (re)formulation described in Figure 2. Gatekeepers constitute groups able to exert influence to the effect of authoritatively championing paradigmatic ideas, either in the promotion of paradigm change or for the sake of protecting existing paradigmatic ideals from encroachment.

Unlike previous works that speak primarily to paradigm replacement, this thesis emphasises relative degree of paradigmatic consolidation. Analytical sensitivity to *dominant*, as opposed to *hegemonic*, paradigms allows for the prospect that paradigms may exist in competition for ideational influence (Howlett & Ramesh 1998; Capano 1999; 2003). *Paradigmatic contest* is characterised by a dominant operative paradigm and one or more marginal paradigms that enjoy little or no formal recognition in policy, but whose fitness for paradigmatic institutionalisation is deemed adequate by a significant portion of society. In circumstances when there is difference of opinion

among state actors as to the ontological links between programmatic objectives and abstract goals, paradigmatic contest produces *synthetic* or *hybridised* paradigms (see Kay 2007; Howlett & Ramesh 1998: 471). Synthetic paradigms are distinguished from contested paradigms in that the former refers to situations in which institutionalised policies pursue multiple and incongruent goals (see Kern & Howlett 2009).<sup>9</sup> As is detailed in Chapter 4, paradigmatic synthesis (or hybridisation) has come to define industrial development policy in PIP Saskatchewan.

#### **1.4. Organisation of the Thesis**

The organisation of the thesis is as follows. Chapter 2 begins by taking stock of the existent discussion on ideational change and the role of discourse in policymaking. The notion of policy paradigms is then expounded upon, particularly with respect to the amendments to Hall's framework introduced by Oliver and Pemberton. With considerable attention dedicated to a review of arguments advanced in the relevant literature, a critique of the theories put forward to date follows. This critique culminates in the development of a new conceptual framework whereby ideational change is said to arise out of the ordinal definition of policy problems. The method of testing a theoretical application of the PA framework is then discussed in the context of falsifiable hypotheses in Chapter 3. Disciplinary standards for comparative case study analysis are referenced in developing operationalisation criteria.

Drawing heavily on archival document analysis, the processes of industrial policy formulation in Saskatchewan are detailed in Chapter 4. The conclusion of Chapter 4 summarises the case findings in their relation to the empirical criteria laid out in the study design. It is demonstrated that the four types of policy iterations introduced in the new framework are a prerequisite to understanding the policy development trajectory presented in the case study. The final chapter contextualises this research in relation to premises advanced within the existing literature and details areas that show promise in

<sup>9</sup> Speaking of synthetic paradigms as both a consequence of and means to reconcile the tension endemic to inter-paradigmatic layering, Kay (2007: 584) defines synthetic paradigms as “not necessarily consistent or cogent, nor do they in some technocratic sense ‘solve’ the tense layering. They are important, though, in providing an ideational background for the construction of proposals to patch the consequences of layering effects.



moving the analytical program forward. With respect to premises advanced in the existing literature, the findings of this study indicate that a hard version of paradigmatic change as defined by Kuhn and espoused by Hall is typically inappropriate for the policy sciences. Consonant with Hall, the findings suggest that the political processes behind anomaly recognition are the most salient determinant of policy change.

To better understand the processes involved in both formal and informal institutionalisation of ideas, further investigation of the mechanics of anomaly recognition at the subsystem level is warranted as the next step of the research agenda (see Gieve & Provost 2012; cf. Dowding 1995; Real-Dato 2009). Abandoning a hard conception of paradigms in favour of the softer framework laid out in Chapter 2 provides room for reconciliation with influential theories related to institutional reproduction and mitigates the dichotomy between learning-based and power-based theories of the policy process. On the former point, a four order iterative framework helps to resolve incongruence between recent empirical findings and the conventional conception of policy paradigms (Orenstein 2013; Béland 2007; Kern & Howlett 2009; Hacker 2004b; Thelen 2000). On the latter, the mechanics by which information is produced, presented, and utilised in the processes between agenda setting, formulation and decision-making sheds light on the political dynamics inherent to policy-oriented learning (Brunsson 2000; Hoyt & Garrison 1997; Stone 1988; Zahariadis & Allen 1995; cf. Elder & Cobb 1983; Drucker 1967). The addition of more theoretical premises to the conceptual framework introduced in the next chapter will therefore serve to contribute to the development of more fully-fledged theories of policy change. It is suggested in the concluding chapter that further research look more thoroughly into issues of authority and the role that institutional structures play in guiding the way that the iterative processes explained in Chapter 2 play out (see Peters 2005; Kay 2007). Emphasising hermeneutical aspects, such as contested interpretation of policy anomalies, as the primary vehicle of policy change may also help resolve many methodological and explanatory issues endemic to contemporary taxonomies for understanding policy processes. Some areas of compatibility with existing models for understanding subsystem dynamics receive mention.

## **2. Ideas, Anomalies, and Policy Paradigms**

The leading theories of the public policy process all recognise, to some extent, the influence that ideas can have on policy outcomes (see Schlager 2007). As Capano (2009) points out, however, epistemological assumptions about the relative importance of independent variables tends to bias both the questions asked by researchers as well as where researchers look for the answers (cf. Zahariadis 1998). Such biases have typically been the result of attempts to affirm one's position on a few dichotomous issues within the literature on the characteristics of the policy process (cf. Lustick 1980; Campbell & Pedersen 1996; De Vries 1999; Mahoney 2001; Rotmans et al 2001; Durant & Diehl 1989; Carlsnaes 1993; Evans 2002; Kay 2006; Seo & Creed 2002; cf. Van de Ven & Poole 1995; Gregory 1989; Jones 1994).

Aside from disagreement on the characteristics of the process itself, there exists little consensus on what drives the policy process and what, if anything in particular, determines its trajectory (cf. Baumgartner & Jones 2002; Pierson 2000). The leading theories on policy process and policy change posit that independent variables are combinative, though each places its emphasis on different areas in the hierarchy of causality (see Sabatier 1988; 1998; Baumgartner & Jones 1991; 1993; 2002; Kingdon 1995; Travis & Zahariadis 2002; Ostrom 2005; cf. King 1973b; Simeon 1976). On the issue of causality, the central, though perhaps misplaced, question addressed by most policy process scholars has to do with whether policy change is primarily a product of learning, other endogenous phenomena, or exogenous events (Rose 1991; 1993 Etheredge 1981; Peters & Hogwood 1982; Thelen, 2004; Meyer 1982; Brändström & Kuipers 2003; Nohrstedt 2005). Attention to the latter in most theories of the policy process has left the discipline in a conundrum whereby it is acknowledged that

endogenous learning does matter to most policy theorists, it just must not matter that much.<sup>10</sup>

In spite of discrepancies amongst leading approaches, the mainstream conception of the policy process is one that is defined by homeostasis: a term borrowed from paleobiology to describe internal tendencies toward equilibrium in environments that are isolated from exogenous phenomena (Baumgartner & Jones 2002: 9-12; cf. Howlett 2009; Gersick 1991; Durant & Diehl 1989: 194-196; Gould & Eldredge 1977; Gould 1980; Eldredge 1985). Aside from the obvious observation that, in spite of what may be transpiring outside of a given subsystem, internal actors will typically continue to be involved in decision-making and the implementation of new policies, empirical studies have tended not to reinforce the exogeneity axiom (see Skogstad 1998; 2005; Coleman et

<sup>10</sup> Mahoney (2000: 517-519) elaborates on one type of institutional reproduction whereby the predominant mechanism is endogenous learning (see North 1990), though suggests that most social scientists are interested in power-based theories of institutional change and continuity. The Institutional Analysis and Design (IAD) framework, while allowing for the impact of ideas on the formulation and perception of institutional rules, downplays beliefs as a causal mechanism and favours instead institutions themselves as a fairly deterministic causal variable (see Kiser & Ostrom 2000; Ostrom 2007). The Advocacy Coalition Framework (ACF) treatment of ideas has been the most consistently commensurable with the conception of social learning as espoused by Hall in that the ACF argues belief systems to be integral to the crystallisation of coalitions as causal agents. The exogenous alteration of coalition resources as a necessary condition of policy change suggests, however, that the role of ideas and beliefs are of inconsequence to the real determining factor, which is coalition influence. The inter-subjective convincingness of a coalition's platform is afforded little analytical discussion by the ACF, which serves to distance the framework from the concept of paradigms in the pure sense of the term (Sabatier 1998). The Punctuated Equilibrium Framework (PEF) was originally predicated on two causal factors, one of which —image framing— was based ideas and hermeneutical contest at the subsystem level. Similarly to the ACF, however, the PEF emphasises exogeneity (Baumgartner & Jones 1991; 1993). As a consequence, none of the aforementioned theories are interested in determining the type or characteristics of ideational change over time. Other theories of the policy process, such as Garbage Can Model (GBM) developed by Cohen, March and Olsen (1972) and the Multiple Streams (MS) approach developed by Kingdon (1984; 1995; cf. Travis & Zahariadis 2002), emphasise ideas as a key causal variable second only to timing and, in the case of Cohen, March and Olsen, structure. The tendency for subsystem actors to formulate a priori solutions to problems that have yet to arise in the MS model suggests, however, that sequential stages of learning are of little relevance to “policy entrepreneurs” as the agents of policy change in the GBM and MS frameworks (see Edelman 1988; Veil & Kent 2008). Real-Dato (2009: 121) observes with reference to the ACF, PEF and MS approaches that “learning is left aside, even though it may be an important element in explaining why some subsystem participants become unsatisfied with the working of policy monopolies and cause conflict expansion.” Schmidt (2010: 7) similarly comments on the treatment of ideas in the “three new institutionalisms” (see Hall & Taylor 1996), “[i]n all of these approaches, then, ideas have not gone very far beyond interests, since they are little more than mechanisms for choosing among interests, focal points for switching among equilibria or after-the-fact justification for interest-based choices.”

al 1996; Capano 2003; Mortensen 2005, Cashore & Howlett 2007).<sup>11</sup> Such observations may have been instrumental in prompting the recent relaxation of assumptions about the power of exogenous events in favour of a greater emphasis on endogenous policy-oriented learning in forerunning theories (see Sabatier & Weible 2007; Weible et al 2011; Baumgartner 2013: 255-256).<sup>12</sup>

That a powerful assumption surrounding exogenous sources of policy change grew out of an analytical tradition that Hall had helped establish is not surprising given Hall's findings on the relative resiliency of the state to outside ideas. Hall's conclusions on "state-centricism" versus "state structuralism" were that the state is generally autonomous from outside intervention and ideas except in times of paradigmatic crisis (cf. Padgett 1981). Hall therefore contended in a way similar to state-centric theories (see Hecló 1974; Meltsner 1976; Evans et al 1985; Wilks & Wright 1987; Krasner 1984; Sacks 1980) that technical subsystems are of a generally closed nature and therefore protected from the influence of outside ideas when paradigms are stable (Hall 1991: 73-74; 1993: 277; cf. van Waarden 1992; Zahariadis 1998; Howlett & Ramesh 1998; Freeman 1985; Adler & Haas 1992). When the accumulation of policy anomalies undermines the paradigmatic stability of a policy subsystem, however, epistemic discourse expands to include actors within the larger policy universe, which may in turn lead to technocrats' receptiveness to outside ideas (Hall 1993: 280; cf. Cobb & Elder 1983). The influence of exogenous variables is therefore a consequence of, rather than a precursor to, paradigmatic crisis according to Hall, in the sense that the accumulation of

<sup>11</sup> Real-Dato (2009: 135) draws attention to the possibility of "exogenous impact mechanisms", which constitute exogenous phenomena that directly affect local change. Real-Dato (ibid) adds, however, that "the exogenous impact mechanism mainly refers to those policy changes occurring as a consequence of events originated [sic] beyond the subsystem's boundaries in other action areas it is related to."

<sup>12</sup> Sabatier and Weible (2007: 199-207) introduced "Coalition Opportunity Structures" as an alternative mechanism to "mediate between stable system parameters and the subsystem". "Internal shocks" and "negotiated agreements" were specifically added by Sabatier and Weible as endogenous sources of major policy change (ibid). Of course, even if the shock that affects coalition resources and affirms or casts doubt upon coalition beliefs is internal to the subsystem, it is the shock itself that is the necessary condition of policy change. Negotiated agreements—which Sabatier and Weible (2007:205) contend to be more common in corporatist regimes—require that the ACF tenet of learning across coalitions receive greater emphasis. Given its emphasis on institutions as "professional fora" conducive to what is essentially akin to cross-paradigm learning, the 2007 ACF framework is more closely aligned with the idea of iterative confirmation or disqualification (a key feature of policy paradigms) than prior conceptualisations of the ACF.

policy anomalies will prompt perplexed experts to seek solutions out, not have them imposed from outside (Popper & Lipshitz 2000).<sup>13</sup>

## **2.1. Epistemological Issues in the Understanding of Policy Paradigms**

While the concept of scientific paradigms is a contentious issue in the philosophy of science (Toulmin 1972; Field 1973; Kordig 1973), Hall contends that the concept is not only a “great heuristic force” but is in fact more amenable to the examination of social science than it is to the study of the natural sciences (Hall 1990: 60-61; cf. Lakatos & Musgrave 1970). This is because individuals’ bounded-rationality (March & Simon 1958; Wilensky 1967) exacerbates the role that belief systems play in the social sciences, invalidating positivistic conceptions of policy paradigms (see Hall 1990: 57, 66).

Despite their ontologically constructivist conception, emphasis on synchronic and diachronic elements served to produce a “hard” theory of policy paradigms. Hall’s rigid conceptualisation of paradigms is significant since it is the paradigmatic theory most commonly, if haphazardly, cited in the literature. Sections 2.1.1 to 2.1.3 outline the assumptions of the hard paradigms framework and the paradox of its (attempted) integration into mainstream theory.

### **2.1.1. *The Kuhnian Metaphor and Hard Paradigms***

Synonymy with Kuhn’s conception of paradigms is maintained by Hall in the form of the controversial incommensurability thesis (see Bishop 1991). Kuhn’s metaphorical usage of gestalt images as akin to world views (Kuhn 1962: 186-187) is reiterated by Hall in his development of the policy paradigms concept.

<sup>13</sup> Hall’s mention of exogenous factors in the conventional sense resonates closely with the causal argument of the ACF (see Sabatier 1988). Hall (1990: 61) contends that “it [paradigm change] may be set in motion by an accumulation of anomalies, but the ensuing competition between paradigms is likely to be resolved only through a process that involves exogenous shifts in the power to key actors and a broader struggle among competing interests in the community”. Similarly, Hall (1993: 280) summarises the theory of policy paradigms with, “the movement from one paradigm to another will ultimately entail a set of judgments that is more political in tone, and the outcome will depend, not only on the arguments of competing factions, but on their positional advantages within a broader institutional framework, on the ancillary resources they can command in the relevant conflicts, and on exogenous factors affecting the power of one set of actors to impose its paradigm over others.”

[P]olicymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing. Like a *Gestalt*, this framework is embedded in the very terminology through which policymakers communicate about their work, and it is influential precisely because so much of it is taken for granted and unamenable to scrutiny as a whole (Hall 1993: 279).<sup>14</sup>

Though Kuhn had noted that scientific terminology is meaningless across paradigms, for Kuhn the concept of paradigms depends upon the influence of belief systems on an observer's subjectivity (cf. Callon & Latour 1991). Advancing the premise that terminological incommensurability necessarily follows from, or is somehow directly related to, observational commensurability, however, would be erroneous. Consider, for example, the illustration on theory-laden observation given by Hanson (1965). Hanson argues that two men operating under the world views of competing scientific paradigms will perceive fundamentally incommensurate phenomena when observing a sunrise, so long as one man (in this case Tycho Brahe) believes that the sun revolves around the earth and the other (Johannes Kepler) believes the earth revolves around the sun. The fact that it is well established that the earth revolves around the sun, yet the phenomenon continues to be termed a sunrise —as opposed to a “horizon recession”— indicates that terminology is neither the subject of dispute in this instance nor is it in any way an embodiment of paradigmatic tenets.<sup>15</sup>

When considering scientific paradigms, terminological commensurability is therefore secondary to observational commensurability since the latter is merely an indirect consequence or by-product of the former. This is not a problematic issue for the study of paradigms in the natural sciences because observable tenets may be transcribed into terminology by taking on semantically incommensurable meanings (either synchronically or diachronically), as in the case of Hanson's illustration. As previously mentioned, however, Hall (1990: 66-67) pointed out that in social science there are few true observations in the scientific sense that may give concrete meaning to terminology. It

<sup>14</sup> Italics in original.

<sup>15</sup> The treatment of terminological commensurability as of virtually equal consequence to perceptual incommensurability is odd given the simple observation that linguistic terms routinely have multiple, often contradictory meanings. The adjective “impregnable”, for example, is defined as meaning both capable and incapable of being impregnated.

is evident that Hall's observation applies even to terminology that may be germane to a given theory or, still further, competing sets of theories. The treatment of unemployment in Keynesian and monetarist economic doctrines, for example, maintains both observational and semantic consistency regardless of which paradigmatic lens is doing the observing, yet unemployment means vastly different things to Keynesians and monetarists in a theoretical sense (Walters 2000). That is, unemployment is conceptually the same thing to Keynesians and monetarists, but the term cannot be utilised in similar ways across the two paradigms due to ontological assumptions of the theories (see Lakatos 1968: n. 63). Incommensurability in the social sciences is thus theory contingent, while in the natural sciences it tends to be observation contingent (or so it is more convincingly argued).

Social scientific debate also tends not to centre on the meaning of observations but rather on which observations are deemed important. While this is problematic, it does not negate the concept paradigms entirely.<sup>16</sup> Difficulty in proving or disproving central axioms in the social sciences suggests, however, that the rules governing the diachronic aspects of the theory ought to be relaxed. As is shown in Section 2.1.2, the ease with which the meaning of terminology can be transplanted from one policy paradigm to another is cause for a softer conceptualisation of paradigmatic commensurability.

### ***2.1.2. The Iterative Evolutionary Cycle and Soft Paradigms***

While Hall's framework rested upon the premise that the ideational movement of policymakers through three orders of increasingly consequential change necessitated some form of paradigmatic shift (Hall 1993: 279), Oliver and Pemberton (2004: 416)

<sup>16</sup> Hall (1990: 59) notes that "theories specify the relationships between the conventional goals of policy and the likely effectiveness of the various instruments used to attain them. Even the statistical observations used to monitor and align policy are themselves largely defined and generated in terms of this paradigm." Hall's attitude toward empirical observation in the social sciences is therefore aligned somewhere between those who emphasise the unfalsifiability of "pseudo-scientific" theories and Kuhn's on the structure of scientific revolutions. That is, Hall concedes that social scientific theories will make greater and more problematic use of built-in mechanisms to defend against empirical falsification than theories in the natural sciences. As Popper (1963) observes, pseudo-scientific theories will be particularly susceptible to amendment in the face of developments that are contrary to their premises. On this point, Lakatos (1968: n. 87) adds "my concept of a 'research programme' may be construed as an objective, 'third world' construction of Kuhn's concept of 'paradigm': thus the Kuhnian 'Gestalt-switch' can be performed without removing one's Popperian spectacles.

discovered instances of policy change more consequential than Hall's second order change but less wholesale than paradigmatic change (cf. Skogstad 2005). Hall's definition of a paradigmatic change as being a product of the triumph of ideas that are incommensurate with the preceding paradigm (Hall 1993: 280) is therefore viewed sceptically by Oliver and Pemberton. This scepticism is primarily due to Oliver and Pemberton's observation that, in the presence of paradigmatic policy learning, a heavily contingent "battle to institutionalize ideas" remains the critical determinant as to whether a new paradigm will experience full or partial rejection (Oliver & Pemberton 2004: 419).<sup>17</sup> Although authority factors heavily into the process of institutionalisation, both Hall and Oliver and Pemberton caution against making too much of electoral variables.<sup>18</sup>

In defence of ideational paradigms, Hall (1993: 284) argues

Although the election of Margaret Thatcher as prime minister is a key component of the story, it is not the only component. After all, new governments under determined leaders had been elected before. Similarly, although poor levels of economic performance and rising rates of inflation helped to provoke change, to cite them alone does not tell us more about the process of change. We need a conceptual framework for understanding the process whereby British macroeconomic policy changed during the 1970s and 1980s. For that purpose, it is useful to return to the concept of a 'policy paradigm' (Hall 1993: 284).

The argument that a partial rejection is a possible or even likely scenario is, however, anathema to the commensurability thesis at the heart of the hard paradigms

<sup>17</sup> Baumgartner (2013: 253) elaborates on this observation further: "when the ideas that undergird an established policy subsystem by providing the intellectual justification for an entire set of policies are discredited, a rival group with strong but different intellectual justifications for a new set of policies may well take over. This is what Peter Hall describes in the case of British monetary policy. It is one of many possible scenarios of what may follow when an incumbent group of policymakers is discredited. However, it is worth noting that the presence of a crisis by no means suggests that a well-regarded and 'ready for prime time' group of rivals is ready to implement a paradigmatic shift." In his examination of paradigmatic change in the area of global pension reform, Orenstein (2013: 276) concedes to the possibility of partial rejection (or partial acceptance) with his acknowledgment that "second order changes themselves subtly reorient the fundamental objectives of reform." This observation speaks to two separate but related issues with the existing paradigms framework. First, Orenstein suggests that instruments themselves are oriented toward specific objectives that are more abstract than simple instrument targets. Second, Orenstein alludes to the use of instruments whose purposes are incommensurate with the prevailing paradigm.

<sup>18</sup> On this point, Schmidt and Radaelli (2004: 205) observe that "policy-making is not just a matter of policy actors in arenas who take on board the concerns of the 'forum of public rhetoric' along with those of scientific fora and so forth... [i]t is also a question of political actors winning elections on the basis of policy ideas developed in fora and decided in arenas which they must legitimate to the public [...] But winning or losing elections is not enough to assess the influence of discourse in any one policy area, since elections are contingent on such a vast range of factors in a number of different policy areas."



literature since it suggests that elements of one paradigm can be adopted by another. The notion that elements of one paradigm can be borrowed by another for the purpose of intellectually rescuing the latter is, however, consistent with the idea of *bricolage* (see Campbell 1997), policy layering (see Feindt & Flynn 2009) and schema theory, the latter of which posits that new information that contradicts an individual's existing beliefs will be construed to fit the individual's working schema (Axelrod 1973; see Teubner 1997).<sup>19</sup> The incommensurate interpretation of data across competing coalitions and the resilience of schemas in matters of policy is a theme discussed at length in the Advocacy Coalition Framework (ACF) literature (see Sabatier 1998) and by Hall (1990: 60-61), though Jacobs (2009: 259) observes that:

Cognitive and social psychological research suggests that the confirmation bias is not absolute. Disconfirmatory experience is more likely to attract extra processing and weaken preexisting expectations when the experience takes a particular form: when the discrepancy between beliefs and data is transparent (Anderson & Kellam 1992), when the divergence from expectations is large (Fiske & Taylor 1991), and when the unexpected outcomes are repeated across multiple contexts, making them less susceptible to discounting as exceptional (Hewstone, Hassebrauck, Wirth, & Waenke 2000).

Congruent with Jacobs's observation, the diachronic tenets of the Hallsian and Kuhnian theories mentioned in Section 2.1.1 have been abandoned in the framework developed by Oliver and Pemberton. The consequence is a significant reconceptualisation of policy paradigms, but not a wholesale departure from the original idea. The notion of ordered and iterative sequences from incremental to wholesale policy change remains convincing and the concept of policy paradigms remains essential to operationalising revolutionary change and the typical processes of getting there. In spite of such elucidation concerning the mechanics of how policy moves through a sequential hierarchy of stages, Section 2.1.3 discusses how the paradigms concept has been haphazardly used in the new institutionalist literature. It is argued that a rediscovery of the essence of policy paradigms and attention to the mechanics therein could serve to promote a more robust account of policy phenomena over time.

<sup>19</sup> Béland (2009: 713) suggests the development of an ideational interpretation of policy drift "that would stress that a transformation of the discursive policy landscape can alter the meaning and the impact of apparently stable policy landscapes", arguing that "[t]his type of theoretical discussion could inform new empirical research about the relationship between ideas, institutions, and policy change."

### **2.1.3. *New (historical) Institutionalism and the New Orthodoxy in the Policy Sciences***

As Howlett and Cashore (2009) point out, the idea of policy paradigms developed by Hall in the early 1990s helped to transcend the old incrementalist orthodoxy in the policy sciences and usher into the mainstream analysis of policy dynamics (see Krasner 1984). While early works using theories of punctuated equilibrium (Baumgartner & Jones 1991; 1993; Gersick 1991; Krasner 1984) make no specific reference to Hall (cf. Baumgartner 2013), Howlett and Cashore (2009: 37) note that Hall's mechanics of paradigm change and the Punctuated Equilibrium, Framework (PEF) share the assumption that process sequences are homeostatic (see Steinbruner 1974).<sup>20</sup>

In light of new empirical evidence on policy sequencing (Morgan & Kubo 2005; Dobrowolsky & Saint-martin 2005), it would seem as though the true substance of the paradigms concept has been lost in what has become a literature primarily fixated on the role played by exogenous shocks in the creation of policy perturbations (Berman 2013). Precisely why this has been the case may stem from the observation made by Schmidt (2010) that Historical Institutionalism (HI) is an approach itself devoid of agents and must rely on two of the "other" institutionalisms —Rational Choice (RI) or Sociological Institutionalism (SI)— to account for and hypothesise about actors' motivations (see Béland 2009; Hattam 1993; cf. Hall & Taylor 1996). In light of such circumstances, a return to a more thorough analysis of social learning and ideational validation that takes place between state and societal spheres is overdue (Hay et al 2006; cf. Weir & Skocpol 1983; Evans et al 1985).

### **2.1.4. *Some Consequences of Causal Agents in Absentia***

Though the PEF contends that actors act on the basis of their ideational proclivities, PEF theorists have yet to explain how it is that focusing events and politicians' awareness yield specific types of policy change (Jones & Baumgartner 2005). Inattention to identifying the mechanisms of endogenous learning in both the paradigm and PEF literature is seemingly the result of theory-based axioms regarding exogenous

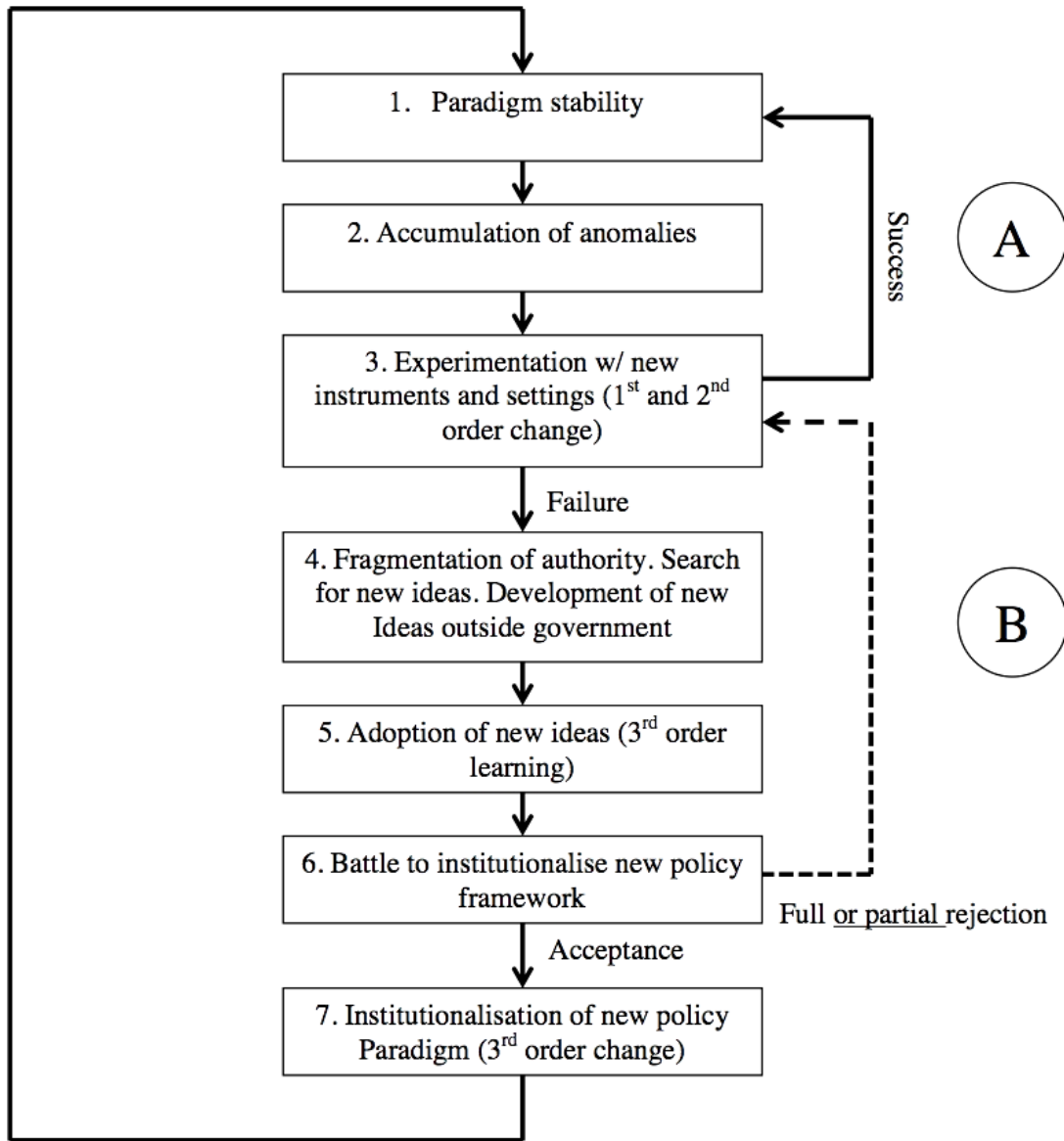
<sup>20</sup> It must, however, be noted that Hall (1993: 277) specifically terms the dynamic policy process as a "punctuated equilibrium".

necessary conditions for large-scale policy change. Schmidt (2010: 14-15) observes, “however evocative the concept of paradigm shift may be as a metaphor for change, the theory itself has problems similar to the HI critical juncture literature... [i]t fails to specify closely enough the process of ideational change, that is, how old ideas fail and new ideas come to the fore, the reasons for ideational change, that is, why certain ideas are taken up rather than others, and the timing of ideational change”.<sup>21</sup> While it may be true that exogenous events can routinely be correlated with major policy change, except in cases where “exogenous impact mechanisms” are at play (Real-Dato 2009:135-136), accurately operationalising causal variables would prove exceedingly difficult without some analysis of actors’ perceptions of exogenous phenomena within relevant policy subsystems. Attention to the discursive dynamics surrounding the interpretation of policy anomalies serves to bridge the explanatory gap between incremental (first and second order changes, to use Hall’s terminology) and paradigmatic policy change.

While the framework developed by Oliver and Pemberton (2004: 420) is a step forward in terms of appropriately conceptualising Hall’s three orders of change, it is not without its shortcomings (see Figure 3). Neither framework accounts for the mechanics surrounding the exchange of ideas. As a consequence of neglecting to properly define the agents and vehicles of change, the existent frameworks are without a clearly defined causal mechanism (see Goldthorpe 2001).

<sup>21</sup> Schmidt (2010: 15) continues, “One promising way forward is to build on the work of discourse analysts (e.g., Howarth et al 2000; Kjaer & Pedersen 2001) who theorize the process of ideational change by showing how different elements may be added to ideas, thereby bringing about change in ideas incrementally even in times of stability, and not just at critical junctures during ‘paradigm’ shifts.”

**Figure 3. Oliver and Pemberton’s Iterative Evolutionary Framework**



Source: Adapted from Oliver and Pemberton (2004).

It is evident within Oliver and Pemberton’s iterative evolutionary framework (Figure 3) that the accumulation of anomalies prompts decision-makers to experiment with new policy instruments and settings, though the discursive dynamics involved in the interim between anomaly accumulation and experimentation is absent from the framework. Even where parameters of the subsystem are said to expand in instances whereby new ideas are supposedly developed outside of government, the process by which these ideas are adopted remains vague. Within the framework outlined in Figure 3

it is thus “experimentation” (box 3) and the “battle to institutionalise a new policy framework” (box 6) that are determinants of both policy change and paradigmatic stability. This is true despite Oliver and Pemberton’s addendum that elements of paradigmatic learning can be integrated into previously-institutionalised paradigms via “partial rejection”.

Oliver and Pemberton’s framework remains considerably thin on issues of subsystem dynamics aside from the important observation that paradigmatic change typically involves an expansion of the epistemic community.<sup>22</sup> Taking into account subsystemic contest between advocacy coalitions offers an avenue for explaining which experiments are deemed feasible (box 3 in Figure 3) and the mechanics by which new ideas may become institutionalised (box 6). An account of discursive interaction allows for the identification of the actors, coalitions, and events that act as the force behind iterative cycling through orders of policy change. Section 2.2 outlines a method for a more thorough theoretical inventory of explanatory variables in the study of long-term policy processes. This is done by transposing analysis of discourse concerning the interpretation and contestation of policy anomalies on to an amended iterative framework.

## **2.2. A New Conceptual Framework for Understanding Policy Change**

The development of an iterative theory whereby policy processes through a hierarchy of ordered changes is germane to the idea of policy paradigms. Defining and measuring policy change is, however, an enterprise rife with definitional and operationalisation problems (Berry 1990; deLeon 1994; 1998; Weimer 1998; Green-Pedersen 2004; Clasen 2007; Kühner 2007). While conventional methods have typically sought to render operable concepts such as beliefs, norms, culture, and ideology (see

<sup>22</sup> While Hall and Oliver and Pemberton align on the hypothesis that social learning tends to take place in a much broader policy network than first and second order learning, the authors disagree on the role of political contest as a necessary condition to institutionalise a new paradigm. Hall (1993: 286-289) for example perceived the 1979 British electoral contest as the critical event in consolidating the monetarist paradigm whereas Oliver and Pemberton (2004: 435) argue that after-the-fact evolutionary learning within a subsystemic environment was of considerably greater import.

Berman 2013), focusing on the hermeneutic dimensions of contestation in the formulation process necessitates that orders of policy change be discursively linked to subsystem dynamics.<sup>23</sup> This can be done by applying the Hallsian definitions governing orders of change to the content of what is discussed and debated in the formulation stage. Using Hall's methodology, a direct transposition of Hall's three orders of policy change produces three orders of anomaly definition.

1. Definitions where problems and solutions are determined to be a consequence of instruments' settings.
2. Definitions where problems and solutions are deemed to follow from policy instruments themselves.
3. Definitions where problems and solutions are determined to result from the abstract level goals governing policymaking.

Although a three order taxonomy delimiting orders of anomaly definition is possible, Howlett and Cashore (2009: 38) point out that problems inherent to limiting the possible orders of change to three in the Hallsian taxonomy has necessitated that it undergo "recalibration in light of its own logic, as well as in light of the empirical evidence gathered in many cases of policy change analyzed since Hall's work was first published." This is because differentiation between abstract and programme-specific alterations should produce at least four distinct types of change if we are to follow Hall's suggestion that policy change be analytically disaggregated into changes to ends and means (Hall 1990: 59). Section 2.2.1 is dedicated to developing a four order iterative framework, whereby the focus of policy change (on ends or means) and level of abstraction (abstract level or programme level) is emphasised.

### **2.2.1. *Four Types of Anomalies***

Table 1 lays out an amended taxonomy for understanding policy anomalies and their solutions according to four orders of operationalisation (recall Figure 1). Under the revised framework, *calibratory* change entails means-related alterations to concrete

<sup>23</sup> Hajer (2005: 626) identifies two broad categories of participant that are created by "practices of participation" themselves; these are protesters and collaborators. Both groups, however, have the ability to influence policy outcomes in the formulation process by bringing their own views on the ordinal elements of policy to the bargaining table.

policy settings (the lower right quadrant of Table 1); *instrumental* change involves means-related alterations to the choice of policy instruments (the lower left quadrant of Table 1); the new order of *programmatically* change involves alterations to ends-related but concrete policy objectives (the top right quadrant in Table 1); and *paradigmatic* change entails alterations to highly abstract, ends-related goals (the top left quadrant in Table 1).

**Table 1. Taxonomy for Operationalising Policy Change**

		<u>Policy Contents</u>	
<u>Policy Focus</u>	<i>Policy Ends or Aims</i>	<p><b><u>Goals (paradigmatic)</u></b> (high level abstraction)</p> <p>Types of ideas governing policy development. e.g. economic diversification; (abstract) niche development/expansion.</p>	<p><b><u>Objectives (programmatically)</u></b> (concrete operationalisation)</p> <p>What policy formally aims to address. e.g. (specific) secondary processing; increased mining.</p>
	<i>Policy Means or Tools</i>	<p><b><u>Instruments (instrumental)</u></b></p> <p>Types of instruments utilised. (e.g. tax incentives, loans, public enterprises).</p>	<p><b><u>Settings (calibratory)</u></b></p> <p>Specific ways in which instruments are used (instrument calibrations). (e.g. level of subsidy; size, percentage or qualifying criteria for tax incentives/ loans; size and scope of public enterprises).</p>

Source: Adapted from Howlett and Ramesh (2003); Howlett and Cashore (2007; 2009).

It is shown in the two quadrants on ends-related changes (the two uppermost quadrants in Table 1) that the distinction between goals and objectives is an important one since considerable confusion over changes to goals that are non-paradigmatic per se would be expected in the analysis of most policy areas. As discussed earlier, paradigms and the abstract goals that define them necessarily rely on causal inferences. It is thus inference that differentiates the abstract goals from programmatic objectives, the latter of which are themselves a means to realising paradigmatic ends (Berman 1998: 21).

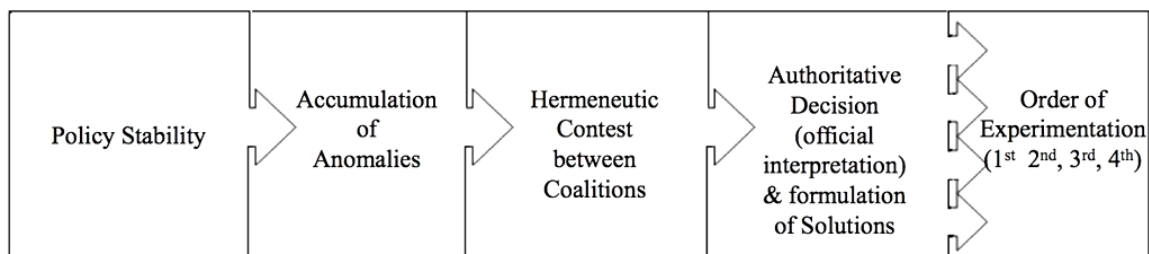
While the four order taxonomy for operationalising policy change is useful in classifying phenomena ex post, the updated taxonomy is most helpful in defining causal mechanisms via the classification of anomalies' interpretation by subsystem actors. The anomalies concept aids in alleviating issues inherent to defining the dependent variable as institutional creation, destruction or transformation (see Genschel 1997; Deeg 2001) since the operationalisation of the key causal variables is taxonomically consistent with the operationalisation of the dependent variable (policy change). Though critics may point out that such an approach affords considerable opportunity for researchers to select on the dependent variable (that is, identify a given order of change ex post and actively seek out reference to the accompanying order of anomaly within the prior discourse), Baumgartner (2013) has recently suggested that type or order of policy change should be of less interest to researchers than analysis of the degree of discredit to the status quo that precedes it.

Section 2.2.2 details how orders of policy change can be traced to discursive events within policy subsystems. It is argued that discursive analysis makes the cause and effect relationship between anomaly contestation and policy change much more verifiable empirically than previous frameworks allow for.

**2.2.2. *From Framework to Theory: Contestation and Interpretation in the Anomaly Recognition Stage***

The introduction of hypotheses (whereby anomaly recognition, interpretation and contestation act as the causal mechanisms most affecting the type and direction of policy change) transforms the framework developed by Hall and Oliver and Pemberton into a causality-based theory of the policy process (see Schlager 2007). The basic premises of the PA theory are laid out in Figure 4.

**Figure 4. *Generic Process of Policy Change***





Recalling Oliver and Pemberton's iterative evolutionary framework (Figure 3), the amendments in the new conceptual framework displayed in Figure 4 are two. First, the agent of change is defined in the third and fourth stages (reading from left to right), *Hermeneutic Contest between Coalitions*, and the immediately following stage, *Authoritative (official) Decision* (see March & Romelaer 1976). Recalling Thomas's (2001) disaggregation of the formulation stage in Figure 2, moving "consolidation" processes into a stage that is temporally distinct from subsystemic debate is required in some instances, while at other times it stands to reason that the time that elapses between expert discourse and authoritative decision can be measured in moments.<sup>24</sup> The second departure from Oliver and Pemberton has to do with the possibility of immediate experimentation with programmatic or paradigmatic solutions following authoritative definition of policy problems.

Given that the outcome of one sequence of solutions-oriented adaptation (outlined in Figure 4) can result in four distinct possibilities, attention to the direction of policy change is of considerable analytical importance (see Nisbet 1972; Page & Shapiro 1983; Radaelli 2003). It is argued in Section 2.2.2.1 that elements arising from the interplay between timing, structure and agency determine the sequence of policy through iterative cycles of ordinal change. The following outlines how directionality is incorporated into the revised theory.

#### **2.2.2.1. The Cumulative Function of Policy Iterations**

While the general process leading to policy change (demonstrated in Figure 4) captures the hermeneutic crux of the PA theory, understanding processes leading to paradigmatic (as opposed to incremental) policy change requires attention to the cyclical nature of social learning processes (see Daugbjerg 1997; 2003; Pierson 1993; Soss &

<sup>24</sup> Perceived constraints upon the state also provide for instances whereby hearings and consultations of any form are considered by decision-makers as mere formalities, with important decisions having been made in advance (Banting 1995; Innes & Booher 2004). The concept of "executive decision-making", though perhaps more accurately termed "executive formulation", also suggests that decisions are sometimes made by authoritative actors prior to any discursive debate (see Schmidt 2006; Brownsey et al 2005). The literature on discursive structuration, meanwhile, highlights examples whereby expert testimony is tailored to service a "market" for that specific information (Brooks 1990; cf. Bradford 1998).

Schram 2007). The basic premises of a learning-oriented model are, for purposes of simplicity, laid out sequentially in Figure 5 along the temporal axis from  $time_0$  to  $time_4$ .

**Figure 5. Basic Taxonomy of Typical Process Toward Paradigmatic Change**

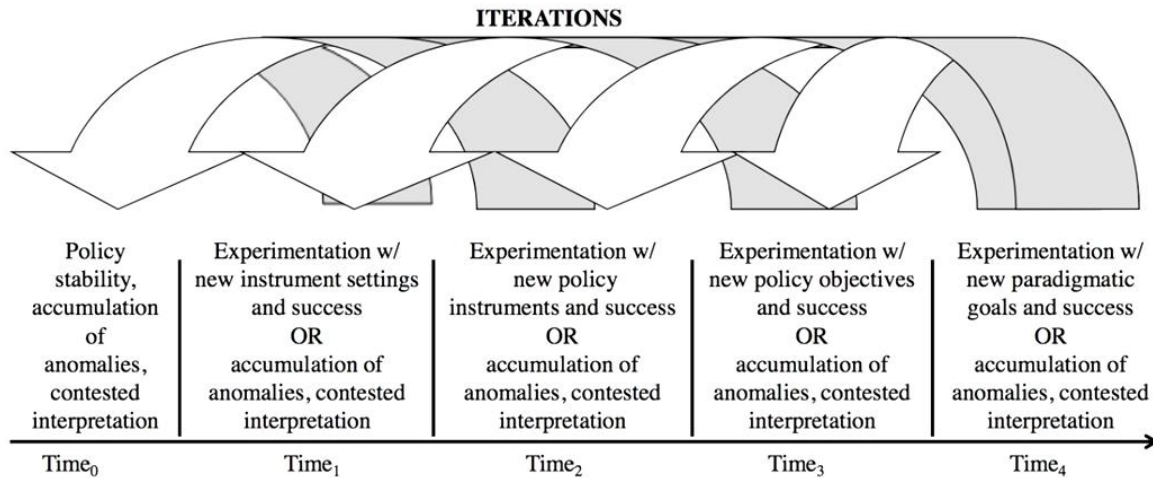


Figure 5 posits that the accumulation of policy anomalies following paradigm stability at  $time_0$  will prompt efforts at policy-oriented learning but will also precipitate conflict in the form of contested beliefs on the origins of policy problems.  $Time_1$  is distinguished from  $time_0$  by the fact that a new policy framework is put under experimentation at  $time_1$ . If we suppose that the purpose of Figure 5 is to map a linear and sequential progression through the four orders of interpretation and experimentation, the policy framework under experimentation at  $time_1$  is defined by simple alterations to instrument settings: that is, Figure 5 assumes that policy problems are defined in calibratory terms at  $time_0$ . If we maintain a linear logic, we can assume that if experiments are unsuccessful, i.e. if the accumulation of anomalies persists, then policy experimentation will proceed sequentially through all of the stages on the time axis.

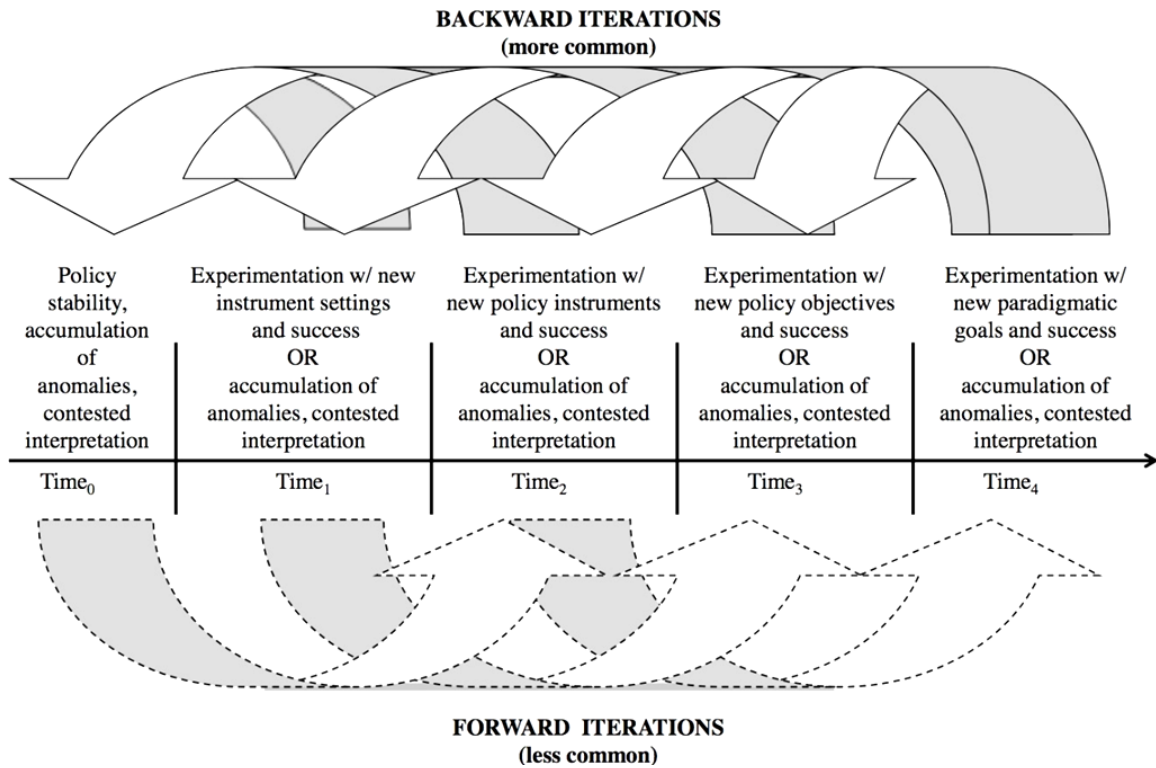
Though the process as it has been explained so far is consistent with path dependency (Pierson 2000; North 1990), logic and observation caution against assuming a linear process of experimentation (see Kay 2007; cf. Ebbinghaus 2005). Perceived success and failure of policy experiments are considered instead to prompt backward iterations within the process displayed in Figure 5. Considering this time that experimentation with new instrument settings is successful at  $time_1$ , the process follows the backward arrow toward  $time_0$ , which is indicative of a backward iteration toward

renewed paradigmatic stability. Similarly, experimentation with new policy instruments at *time*<sub>2</sub>, new policy objectives at *time*<sub>3</sub>, or new paradigmatic goals at *time*<sub>4</sub> may result in renewed paradigmatic stability (a return to *time*<sub>0</sub>).

The concept of backward iterations is, however, more nuanced than simply allowing for a return to paradigm stability. Experimentation with new paradigmatic goals, for example, need not result in the stability of a new paradigm, but can follow an iterative arrow to any previous segment in the temporal series, indicating experimental failure. As displayed in Figure 5, this may result in a backward iteration toward experimentation with new settings, new policy instruments, new objectives, or (theoretically) untried experiments with new paradigmatic goals. Similarly, failed experimentation with new policy objectives at *time*<sub>3</sub> may result in backward iterations toward experiments with new instrument settings at *time*<sub>1</sub>, new policy instrument mixes at *time*<sub>2</sub>, or untried objectives. Failed experimentation with new policy instruments at *time*<sub>2</sub> may prompt backward iterations toward experiments with new instrument settings at *time*<sub>1</sub> or simply experimentation with new instruments altogether. Finally, failed trials with new instrument settings may either proceed sequentially into trials with new instrument mixes (according to the linear logic of the generic framework) or may experience reiterated experimentation with new instrument settings.

Recalling the generic process toward policy change outlined in Figure 4, it becomes apparent that the conceptual framework requires still more sophistication than is afforded by Figure 5. This is because any of the four types of authoritative interpretation is capable of producing a decision (which results in the appropriate type of policy change) in any stage of contestation along the continuum in Figure 5. This possibility is accounted for in the form of forward iterations in Figure 6.

**Figure 6. Taxonomy of Possible Processes Toward Paradigmatic Change**

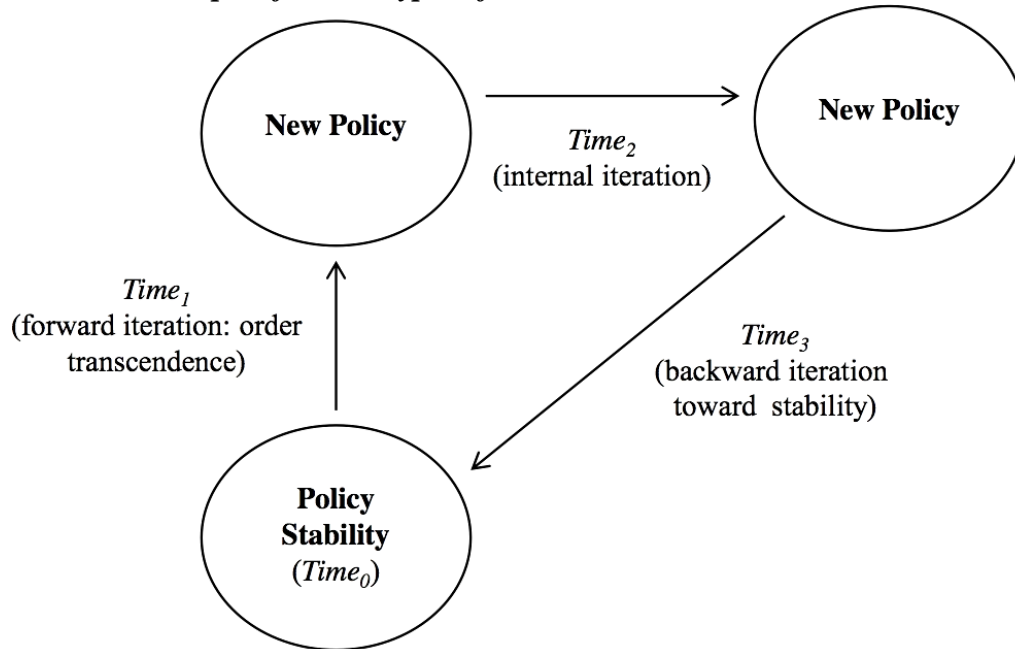


As in the case of backward iteration, the strictly sequential logic of processual transitions may be broken by way of forward iterations that occur when policy anomalies are defined in terms that do not allow for sequential progression through the hierarchy of ordered changes. These forward iterations are likely to be rare in times of relative paradigmatic stability, but as Figure 6 demonstrates, the interplay of backward and forward iterations may provide for considerable variation as to what orders of policy change undergo experimentation at any given time. Policy problems may, for example, be defined in programmatic terms at the decision-making stage at *time*<sub>0</sub>, prompting experiments with new policy objectives (*time*<sub>3</sub> in Figures 5 and 6), which may then result in failure and backward iteration to *time*<sub>2</sub> where experimentation with new instrument mixes will take place.

Iterations that are internal to a given order of change are also possible. Figure 7 is demonstrative of forward and backward iterations (at *time*<sub>1</sub> and *time*<sub>3</sub> in Figure 7,

respectively) but includes an example of what shall be referred to as an internal iteration at  $time_2$ .<sup>25</sup>

**Figure 7. Example of Three Types of Iteration**

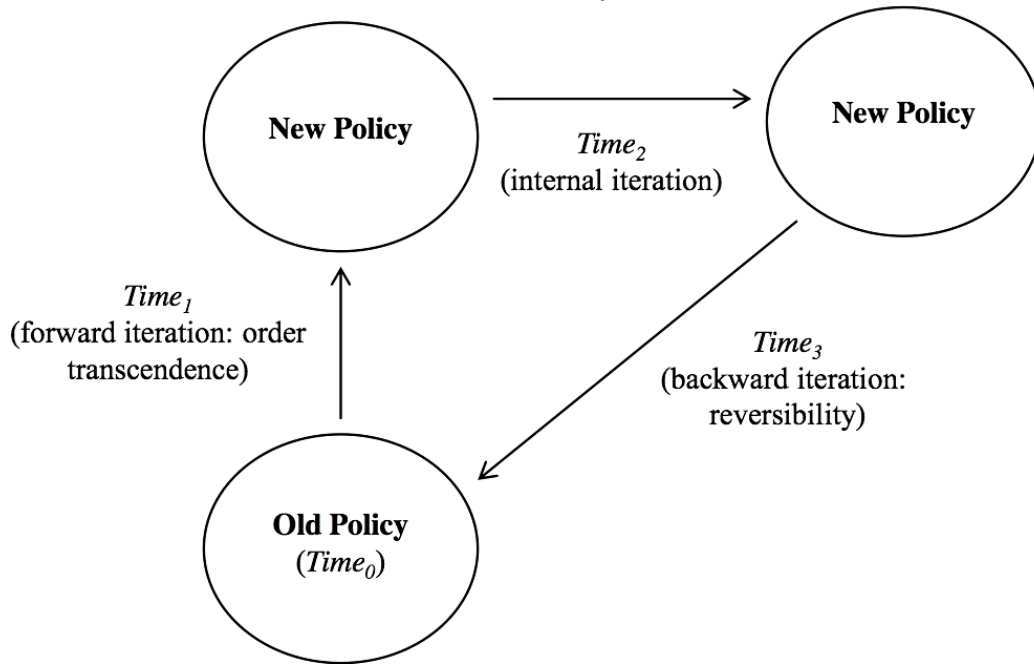


The iterative framework can also be used to understand policy reversibility as defined in ordered terms. Drawing on the same example used in Figure 7, the illustration in Figure 8 outlines an instance of backward iteration that amounts to policy reversibility.<sup>26</sup>

<sup>25</sup> For purposes of illustration, the example given in Figure 7 maps a process of policy change whereby order transcendence occurs at  $time_1$  resulting in the use of new policy instruments. At  $time_2$ , however, instrumental anomaly definition and change yields experimentation with new or additional policy instruments before policy stability is achieved via the backward iteration at  $time_3$ . According to the logic of the framework, stable policies will tend to first yield calibratory definitions of problems and solutions and will therefore tend to first undergo experimentation with changes to instrument settings in the event that anomalies accumulate under the policy framework. The internal iteration at  $time_2$  in Figure 5 must therefore be a product of a process whereby the new policy instruments put in place at  $time_1$  produce anomalies that are defined in instrumental terms, prompting experimentation with new policy instruments at  $time_2$ , as opposed to experimentation with new instrument settings under the new policy framework. Had the latter occurred, the framework necessitates that the backward iteration at  $time_3$  toward policy stability in Figure 5 take place instead at  $time_2$ .

<sup>26</sup> Instead of a backward iteration toward the (paradigmatic) stability of a new policy as demonstrated in Figure 7, the backward iteration at  $time_3$  in Figure 8 is one that leads back to a previous policy. Though the terminology of the framework suggests that the iteration at  $time_3$  in Figure 8 has led back to policy stability under the original policy instrument, the term stability would be inappropriate in this case since it is implied that all three policies (policy instrument mixes) in Figure 8 have produced anomalies, but that the

**Figure 8. Backward Iterations & Reversibility**

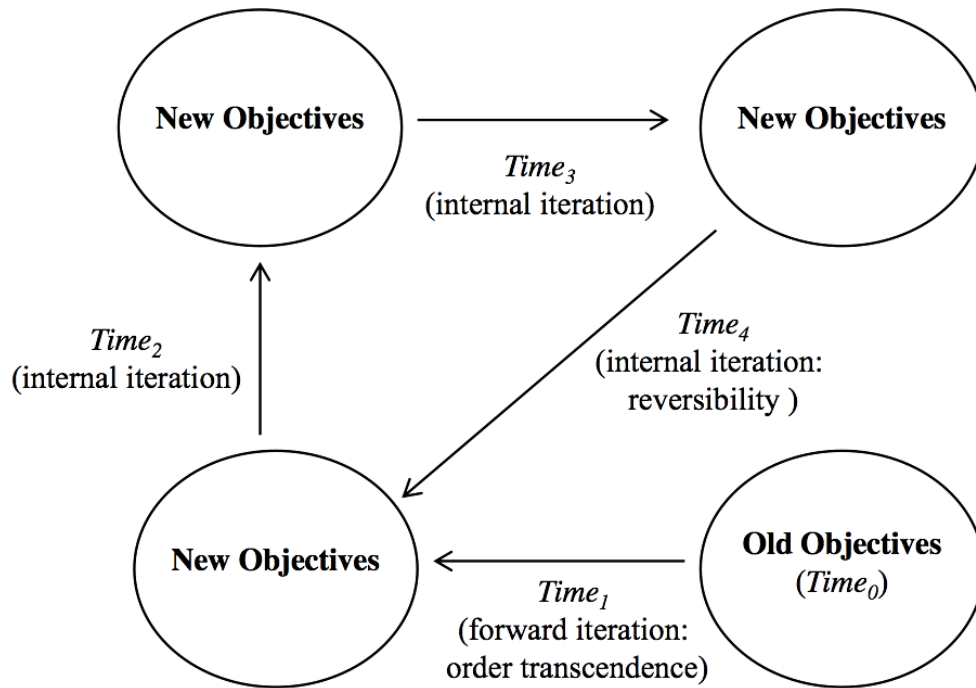


A final possibility is communicated in Figure 9. This is one where reversibility is a product of internal iteration. For simplicity's sake, Figure 9 maps a scenario where continuous (re)trials of policy objectives are a product of an internal iterative loop.<sup>27</sup>

original policy mix at *time*<sub>1</sub> is preferred in light of developments by *time*<sub>3</sub>. As is shown in the case analyses in Chapter 4, backward iterations to previous policies are common in the absence of viable policy alternatives (see Blyth 2013; Hall 1989; cf. Johnston 1991).

<sup>27</sup> In the scenario depicted in Figure 9, failed experiments with new objectives at *time*<sub>1</sub> beget experiments with new objectives at *time*<sub>2</sub>, whose perceived failure prompts still more experimentation with new objectives at *time*<sub>3</sub>, until such a time —*time*<sub>4</sub>— that the objectives of *time*<sub>1</sub> are reinstated (with the loop cycling indefinitely in this case).

**Figure 9. Internal Iterative Loops & Reversibility**



Although institutional determinants are admittedly outside the scope of this thesis, it is important to mention how it is that actors influence the direction of policy iterations. Like the locks in a canal system, iterative paths are opened and closed by ideational gatekeepers who act to influence the type of iteration a policy solution constitutes. These locks can be conceived of as one of two types, structural and institutional. Structural locks are largely beyond any actor to exert influence upon, such as economic constraints, the mode of governance, or constitutional arrangements (see Mucciaroni 1992). The terms of crown privatisations in the case chapter can be perceived of as the imposition of structural locks.<sup>28</sup> Institutional locks may, on the other hand, be operated on by institutionally-privileged actors. High ranking bureaucrats may affect what deLeon (1978) calls “low-level terminations”, or what translates to low order iterations, while more institutionally-privileged actors may affect high order iterations with the stroke of a pen (cf. Rasmussen & Marchildon 2005). In this sense, iterative paths may be likened to

<sup>28</sup> Structural locks can only be destroyed, repaired, eroded, not opened and closed. Structural locks are therefore typically constraints on iterative experimentation while institutional locks may either constrain or provide opportunities for institutionally-privileged gatekeepers to see that this or that type of iteration plays out.

the canals beyond locks. The existence of such canals (i.e., the institutional or structural means of affecting change) is, however, not a certainty. That is, in spite of whether policy change is determined to be desirable according to the relevant actors, the means of accomplishing it may be absent. Some states or subsystems will possess the means of affecting change while others will not, given available resources and administrative capacity.

This section has shown that the temporal axis and its corresponding events in Figure 5 provide a simple and useful heuristic for mapping the developments that lead to paradigmatic change. Though if we are interested in a holistic understanding of the cumulative processes that may lead to paradigmatic change, a complex taxonomy for understanding the three types of iterative processes is required. That said, it is probably safe to assume that when paradigms are stable, the policy process will tend to follow a relatively straightforward path characterised by cycles of predictable experimentation and backward iteration toward stability. When paradigms become unstable, the recurrent accumulation of anomalies in the face of various orders of experimentation can be expected to produce more unpredictable outcomes, especially as the authority of dominant policy coalitions become threatened. As a rule of thumb, seemingly chaotic policy processes can be taken to be suggestive of both considerable paradigmatic instability as well as the non-existence of any viable paradigmatic alternative.

#### **2.2.2.2. Hypotheses of the Iterative Theory**

The amended framework and theory for understanding ordered change over time prompts a number of core and secondary hypotheses, the likes of which could not all be addressed in a single thesis. Contrasted against the null hypotheses that policy change is largely independent of anomalies' interpretation, the main hypotheses of the PA theory are listed as follows.

*Core hypothesis 1:* The most consequential causal drivers of policy change have to do with the official interpretation of policy anomalies. Contested interpretation between individuals and coalitions is, however, requisite to understanding how official interpretations materialise in the context of policy-oriented learning under institutional constraints. Individuals, coalitions, and authoritative decision-makers will discuss both



problems (anomaly definition) and solutions (policy change) in terms of the delimited four order criteria outlined previously. That is, discussion will pertain to abstract or programme level problems and solutions, and will emphasise problems and solutions in terms of means (tools) or ends (aims). The ontological positions of subsystemic actors vis-à-vis policy problems and solutions will therefore be classifiable in terms of order designation. It is hypothesised that some discursive continuity will exist from problem identification to subsystemic debate to authoritative decision-making that is verifiable via document analysis (Fischer 2003; Roe 1994).

*Core hypothesis 2:* Policy processes will be iterative. Individuals and coalitions who supported the original policy programme will opt for lower orders of anomaly definition when problems arise, while those who opposed the original programme will define anomalies in higher order terms. Successive rounds of problem solving will prompt more drastic (higher order) definitions of policy anomalies and, consequently, higher order solutions.

The core hypotheses are primarily concerned with policy-oriented learning and contrast with hypotheses advanced in the literature stating, for example, that significant policy alterations (especially paradigmatic changes) will tend only to arise when dominant coalitions within a given subsystem experience a “fragmentation of authority” (Oliver & Pemberton 2004) resulting in a broadening of the “marketplace for ideas” (Hall 1993). The core hypotheses furthermore make no claims that fragmentation of authority will tend to or necessarily follow from a shock originating outside of the subsystem (Hall 1990; 1993), whose consequences might promote endogenous learning (Sabatier & Weible 2007) or may simply serve to tilt the balance of coalition resources to favour a competing coalition (Sabatier 1988; 1998). The notion that significant policy-oriented learning will tend to only occur when there is a shift in the locus of authority or in the forum under which authoritative decision-making occurs is similarly abandoned (see Hall 1993; Baumgartner & Jones 1993; Weible et al 2009). While many of these premises may hold in some cases, claims as to their universality as necessary conditions for significant change should be approached with scepticism.

The inseparability of ideas from the institutions that maintain them is nevertheless important to keep in mind (Berman 2013). Administrative hierarchies (Jones &

Baumgartner 2005) or hierarchical garbage cans (Cohen et al 1972; Padget 1980) are useful conceptual methods for accounting for the impact of subsystem characteristics on ideational discourse (cf. Howlett & Ramesh 1998; Katzenstein 1978; Wilks & Wright 1987; Marsh & Rhodes 1992; Mahoney 2000). A strong argument could be made that industrial policy formulation processes in Saskatchewan were mediated significantly by the hierarchical structure of policy subsystems in this jurisdiction. Since permeability of economic subsystems to outside ideas factors heavily into the Hallsian framework (Hall 1993: 291), classifying subsystem receptiveness to outside ideas provides a means for testing this aspect of Hall's theory.

### **3. Methods: Integrating Discourse Analysis and Process Tracing Techniques**

Document analysis and stakeholder interviews allow for the categorisation of myriad subsystemic agents into discrete camps based on shared dispositions on how anomalies ought to be perceived (see Henry 2011; Pralle 2003). To consistently operationalise each discrete order of anomaly classification and avoid researcher bias, classification criteria must be developed *ex ante*. Precisely defining incommensurable interpretations of policy problems is possible given that anomaly recognition and interpretation is typically a positivistic enterprise. That is, policy problems in economic spheres are typically accompanied by policy coalitions' use of quantitative "facts", both in terms of diagnosing the source of policy problems as well as in formulating their solutions (see Heintz & Jenkins-Smith 1988).

Although the appropriateness of the paradigms analogy to matters of industrial development policy is assumed to be consistent with that of economic policymaking in Britain, important differences exist between the British and Canadian cases. The demands placed on ontological inferences between instrument design, programmatic objectives and abstract goals are qualitatively different in the realm of industrial development policy than in the sphere of macroeconomic policy. Less scientific in a sense, inferences as to the economic virtues of activist industrial policy tend to be understood and promoted by authoritative actors in Canada, whereas in the British case the requisite knowledge, being much more esoteric, tended to be promoted by specialists (Hall 1990; 1993). While many economists favoured and continue to favour industrial strategy (Stanford & Vosko 2004), economic development subsystems are typically much less exclusive than those concerning themselves with macroeconomic theory (see Marsh & Rhodes 1992; Thompson 2003). Nevertheless, evidence indicates that the hierarchical structure of economic development subsystems in the province under examination factored heavily into both the promotion of particular paradigmatic goals as well as into the processes

leading to their reconceptualisation. While observers may expect that the diffusion of powers in the Canadian federation would yield less hierarchical policy processes than in the British system, this is shown in Chapter 4 to not be the case.

### 3.1. Variable Definition and Falsification Criteria

Hall (1990; 1993), whether intended or by coincidence, helped to elucidate and resolve issues involved with defining policy change as a dependent variable by demonstrating that “policy” is not an observable variable but rather an aggregate of numerous components (Wildavsky 1969). As previously mentioned, disaggregation of policy change into means-related and ends-related alterations produces an additional order of change by breaking down Hall’s third order of (paradigmatic) change into two levels of abstraction: one that is highly abstract and relates to general societal goals and one that is much more concrete and grounded in subsystemic objectives (see Figure 1; Table 1; cf. Smith 2000). Table 2 provides an overview of dependent variable operationalisation according to the four order criteria.

**Table 2. Dependent Variable Disaggregation and Operationalisation**

<u>Policy Change</u>	<u>Operationalisation</u>	<u>Indicators</u>
Calibratory	Adjustments to instrument settings.	Alteration of instrument calibration. Change in certain criteria for instrument use. Greater or lessened emphasis on the use of a given instrument.
Instrumental	Adjustments to instrument mixes (and/or instrument targets) aimed at achieving policy objectives.	Appearance or disappearance of instruments in use. Reorientation of instrument targets. Greater emphasis on the use of one instrument at the relative expense of another’s use.
Programmatic	Adjustments to concrete policy objectives (will often include significant calibratory and instrumental alterations).	Alteration of policy targets toward a new policy area. Will often involve the creation and destruction of policy machinery designed to achieve objectives
Paradigmatic	Adjustments to highly abstract societal goals (will often involve large scale reconfigurations of policy subsystems).	Wholesale alteration of policy machinery. Will usually involve considerable publicity (policy statements).

As suggested by the dependent variable criteria laid out in Table 2, policy change can be classified according to one of four categories related to the design of a given policy (Schneider & Ingram 1997). The classification process may depend in part on the

fact that, as a general rule, the machinery used by government to achieve its objectives requires revenue. Annual budgeting can therefore account for beginning-of-year allocations to various departments and, consequently, year to year changes in higher-level policy priorities (see Jones et al 1998). Document analysis is thus integral to understanding the shape that policy change takes and is useful in mapping transitions from policy problems to policy solutions and from policy solutions to new policy problems.<sup>29</sup>

Policy anomalies are, however, not dealt with at length in the pages of ministerial reports, but are rather the creation of perceptual phenomena that become crystallised via inter-subjective professional discourse (see Bevir 1999; Habermas 1999). As Zittoun (2009: 76) notes,

There often exist, in public policies, at least two distinct statements in competition. The majority of the discursive approaches, as such, generally fit into a pluralist mode. However, this conflict plays a particular role, on the one hand to consolidate the link of the actors between each other inside the coalitions, and on the other in the stabilization process involved in the generation of a policy statement itself. It is in the discursive confrontation that policy arguments are stabilized (or disappear), the solutions defined, the problems clarified and the links between the actors consolidated... The 'policy statement' is thus a key element of a discursive analysis of policy change. Inside this statement, a desired action becomes a problem solution, a vector of policy change and an engine for legitimating an organization or paradigm.

Subsystemic debate between competing policy statements is fraught with discursive indicators. The key terminological indicators for paradigmatic goals in the field under analysis are “industrial policy”, “industrial strategy” and “diversification”. Although instrumental and programmatic indicators are case specific, instruments can be classified using the NATO criteria developed by Hood (1983) (e.g. tax incentives), whereas programmatic objectives (in the case of industrial policy) always relate to specific sectors (e.g. manufacturing, resource development). As is shown in Chapter 4, quantifying the issue salience of ordinal indicators in discursive debate uncovers patterns

<sup>29</sup> Schmidt (2010: 15) contends that “[a]lthough concentrating on ideas gets us closer to why institutional changes occur, they still don’t explain how such institutional changes occur, that is, how the ideas themselves promote institutional change. For this, however, we need to consider another aspect of discursive institutionalism, which is the interactive side of discourse. How ideas are generated among policy actors and communicated to the public by political actors through discourse is the key to explaining institutional change (and continuity).”

that correspond to particular types of policy iterations. Terminological indicators are, however, not alone suitable for process tracing, since action must be differentiated from words. The main indicators for action (i.e. policy change) are found in bills, resolutions and (perhaps most importantly) in public accounts.

Table 3 provides a reiteration of the four interpretive orders of policy anomalies that act as independent variables cumulating in official or competing *policy statements* — which are in turn utilised, reconfigured, or ignored by relevant actors (see Dewey 1927).<sup>30</sup>

**Table 3. *Independent Variable Disaggregation and Operationalisation***

<u>Perceived Anomaly</u>	<u>Operationalisation</u>	<u>Indicators</u>
Calibratory	Said to arise from inadequate instrument settings.	Discursive reference to inadequate instrument calibration. Broadening or narrowing criteria for instrument use. Greater or lessened emphasis on the use of a given instrument.
Instrumental	Instrument mixes and/or targets deemed insufficient or inadequate to achieve policy objectives.	Reference to the need for new instruments, reoriented targets, or increased use of one instrument at the relative expense of another.
Programmatic	Objectives deemed to be incapable/impossible of being achieved or contrary to state goals.	Calls for the reformulation of policy objectives or focus on one set of objectives at the expense of another (calls for the creation and destruction of policy machinery).
Paradigmatic	Societal goals defined as misplaced or impossible to achieve	Reference to the need for wholesale reconfiguration of policy machinery. Will usually involve considerable publicity of views (policy statements).

As demonstrated in Table 3, the PA theory posits that there is an “ontological link” between dependent and independent variables (Zittoun 2009; see Anderson 1975; Easton 1965). That is, perceived policy failures yield causal mechanisms in the form of discourse related to failures’ supposed source, which in turn prompt new policies.<sup>31</sup>

<sup>30</sup> The relevance of such actors should not be downplayed. As Blyth (2013:214) contends “one could... argue that discursive change is the necessary *and* sufficient condition for declaring *authoritatively* that an event has a given political meaning. Consequently, it is through this mechanism that actors construct and contest which empirical anomalies matter and which ones do not. Governments may both ‘power and puzzle,’ but successful ones authoritatively dictate what a puzzle *is* and how power should be applied to solve it.” Italics in original.

<sup>31</sup> Baumgartner (2013: 255-257) suggests, “a key element... poorly researched so far in the literature, is the degree of discredit to the status quo. Hall addresses this issue but does not delve into it in great detail. How could this be done? It would most likely involve interviews with those individual leaders or agencies who

Berman (2013: 228) notes, however, that the stages of anomaly recognition and the formulation of solutions may be characterised by different dynamics and affected by different variables, but contends that the interaction between these two stages is what ultimately ought to matter to researchers. The possibility that such an ordering of events proves not to be characteristic of usual sequences yields the production of falsification criteria, though one must remain careful not to attribute change to policy-oriented learning alone. On this point, Jacobs (forthcoming) differentiates between ideational and materialist explanations of policy behaviour and suggests that observations made in the presence or absence of variation having to do with “material parameters” —versus instances of variation having to do with the “content of actors’ cognitions”— will determine whether a test of the impact of ideas on policy change is appropriate (see Mahoney 2000).<sup>32</sup> Of course, collinearity issues will plague analyses that make too rigid a distinction between interests and ideas (Schmidt & Radaelli 2004), given that most of the leading literature on political ideas suggest that even marginal political coalitions are maintained by some modicum of return for their members, if only for the fact that there is hope that the ideas’ “time” may eventually “come” (Sabatier 1988; Kingdon 1995).

Avoiding making too much of discourse requires tests as to whether ideational or hermeneutic factors sufficiently account for changes observed. Effectively testing against a null hypothesis that anomalies’ contested definition is insignificantly associated with policy outcomes necessarily involves longitudinal attention to instances where ideas change with all else remaining constant and, inversely, instances where ideas remain constant in spite of other important changes to, for example, coalition resources (see George 1979: 57). Longitudinal analysis provides opportunities to overcome problems

have controlled the policy and ideas that have justified the previous policy. New ideas must be generated, of course, and several authors have focused on how this occurs. However, another part of the equation is what forces weaken the defenders of the status quo. These weaknesses may be minor, moderate, or fundamental, as Hall’s levels of change analysis suggests. However, perhaps they are not matters of kind, but of degree.”

<sup>32</sup> Jacobs (forthcoming: 7) suggests that “an account in which actors in different cases hold different causal beliefs because the *true* causal relations objectively differ across those cases would *not* be an ideational explanation: the ultimate cause here would be the material conditions of choice. On the other hand, an account in which actors operating in environments governed by similar true causal relations act on different *beliefs* about those causal relations —beliefs which must be shaped by something other than the objective causal relations themselves— would be an ideational explanation.” Italics in original.

inherent to “*n=1*” analyses. This is true even when considering data compared within a single case since several comparisons can be made between temporally distanced “snapshots” whereby the actors preserving a given paradigm or programme —the guardians or gatekeepers— fade in and out of the picture (see Eckstein 1975).

### **3.2. Methods of Discourse Analysis**

Discourse analysis is concerned with capturing the meaning that actors attribute to their observations and actions. The application of discourse analysis to methods of process tracing under the PA framework calls for the analysis of how policy problems are defined by subsystemic actors. The most easily defined and reliable place to begin searching for the definition of problems is within legislative debates, committee hearings, and Caucus and Cabinet meetings. While the media provides for a consistent “pulse” on political events and, perhaps more importantly, an accessible medium for underrepresented interests to air their grievances, until such a time that interests become organised enough to appear in (or receive mention in) some form of political proceeding, they should be considered as background noise (see Wolfe 2012).<sup>33</sup> Attentiveness to official documents does not resolve, however, issues stemming from the fact that political actors may act in ways that occlude the motivations behind their decisions. In this respect, it may well prove that the phrasing used to discount ideas held by others —that is, the definitions of anomalies as derivative from the policy programmes of others or, conversely, the reinterpretations of policy anomalies in the form of rebuttals to other coalitions’ diagnoses— is a more useful indication of actors’ beliefs than are positive statements. As Hall and Taylor (1996: 954) point out, sociological institutionalists “might benefit from more attention to the way in which frames of meaning, scripts and symbols emerge not only from processes of interpretation but also from processes of contention.”

Accurately capturing the context of discourse on what are perhaps politically sensitive issues can therefore be expected to hinge on the analysis of polite denunciations

<sup>33</sup> Opting to discount such background noise is methodologically imperative given the reality that views that are alternative to the status quo will invariably be expressed in some medium at any given time. The hurdle is, however, not unreasonable, as members of legislatures routinely quote newspaper articles at length and that news stories pertinent to policies often receive mention in Cabinet discussions.



of alternative interpretations of policy problems and the consequent allusion (or illusion) that authoritative decision-makers have yet to make up their minds in the face of the evidence being presented (see George & Bennett: 99-104; Lynch 1991; cf. Shepsle 1985). Memoirs and firsthand accounts can aid in avoiding analytical errors that may arise out of the misinterpretation of discursive dynamics that are in part a consequence of formalities associated with venues in which the discourse takes place. Such accounts may also give an indication of policy rationales that may have been intentionally withheld at the time and elucidate the contextual factors that may obfuscate the meaning of communication within documented discourse.

Given attention to material, institutional, and contextual factors, the purpose of a discursive methodology should be to advance and test falsifiable assumptions that are more sophisticated than material or institutional hypotheses alone (Schmidt & Radaelli 2004: 184). Institutional venues do matter of course, though as Blyth (2003: 698) notes, “structures do not come with an instruction sheet.” Discourse analysis can illuminate how institutional rules are employed at least as well as analyses of the structure of such rules. What is more, discourse analysis may add specificity to the ways in which institutional structure and rules may influence the dissemination of ideas. Attentiveness to actors’ positions within subsystemic networks and their proximity to veto players may therefore serve to highlight the institutional determinants of ideas’ influence.

### **3.3. Case Selection**

The case presented in Chapter 4 is the first of a series on comparative studies on the evolution of economic ideas in Canada. Though more straightforward processes of paradigm replacement no doubt exist at the federal level and other provincial jurisdictions, the Saskatchewan case has been selected here to demonstrate the PA theory’s ability to account for idiosyncratic developments. The case study therefore poses a more challenging theoretical test than other most similar cases.

Focus on provincial policy is warranted due to the 1930 constitutional provision that matters of economic development fall primarily under the purview of provincial governments in Canada. The applicability of Hall’s paradigmatic criteria to beliefs surrounding industrial strategy in the United States (circa 1975-1985) is established by

Campbell (1998) and, while no published work exists that applies Hall's criteria specifically to economic development policy in Canada, a reasonable facsimile to the US case examined by Campbell is the industrial policy debate contained within the report of the Royal Commission on the Economic Union and Development Prospects for Canada (Canada 1985: vol I; cf. Blais 1986; Harris 1985).

The process of industrial policy change in Saskatchewan is illuminating in that it is a somewhat atypical case in a policy area that has undergone substantial change since the late 1970s. The inability for commentators to determine Saskatchewan's paradigmatic status under the present IP context is indication that the case poses a challenge to paradigmatic analysis (see Jackson 2009). The contested interpretation of inferential logics linking industrial intervention to economic success is immediately suggestive of a need to treat the evolution of economic ideas in Canada according to a "soft" conception of policy paradigms. Indeed, partial success with respect to efforts at programmatic and paradigmatic replacement defines the paradigmatic shift that occurred in Saskatchewan. It was this shift that yielded the policy hybrid that persists to this day. In the following chapter, contested inferential logics between the four ordinal elements of policy are shown to be instrumental to explaining how a synthetic paradigm enjoys institutionalisation in contemporary Saskatchewan.

## **4. Industrial Policy Formulation in Saskatchewan, 1970-1995**

In their thorough analysis of industrial policy in the Canadian prairies, Richards and Pratt (1979: 326-328) argued that post-war efforts at ISI and ELI post-staples diversification in the Canadian west were sought largely in vain, pointing instead to state-facilitated resource development as the appropriate avenue for prairie economic development (cf. Watkins 1968; Rotstein 1976; Innis 1933). The virtue of the new-staples approach advocated by Richards and Pratt came under suspicion by the mid-1980s when two of the staple industries in the Canadian prairies, wheat and energy, fell victim to a cyclical bust in global commodity prices. Similar to experiments tried in Alberta, efforts at arms-length diversification strategy in Saskatchewan preceded attempts by government to abandon the activist paradigm entirely. Unlike Alberta, where a new paradigm was institutionalised with great fervour between 1992 and 1994, attempts at paradigmatic reorientation did not produce wholesale paradigmatic replacement in Saskatchewan. This difference in outcomes can be explained by examining the political use of policy anomalies and the way in which policy formulation and implementation played out across these jurisdictions.

This chapter details the formulation processes involved in six major policy iterations in Saskatchewan. It is shown that increasingly significant policy iterations took place between 1970 and 1995, eventually culminating in the institutionalised transformation of the IP paradigm under the Romanow NDP government. This transformation was, however, preceded by a partially successful attempt on the part of the Devine Conservatives to wholly institutionalise a post-staples industrial policy epoch by dismantling the institutions of the previous NDP government's state-led new-staples strategy. Both efforts were precipitated by recurrent dissatisfaction, resulting in predictable pendulum-like movements between new-staples and post-staples industrial strategies. Until the last days of the Devine government, industrial targeting was

defended by paradigmatic gatekeepers in the provincial executive. It was only with the Romanow NDP's realisation that it lacked the institutional and financial means of pursuing an industrial strategy of any sort that definitive paradigmatic shift occurred. The absence of industrial policy in Saskatchewan was, however, short lived. As early as 1994, ad hoc attempts to attract investment in secondary processing and post-staples manufacturing began to surface anew.

Though considerable alterations have been made over the years to instrument settings, instrument design and (most importantly) programmatic objectives, the paradigmatic policy goal of (state-facilitated) economic diversification has retained many influential adherents in Saskatchewan. Efforts at goal reorientation have nevertheless been quite successful. The paradigmatic shift that occurred in Saskatchewan was defined by a reorientation of the main tools of industrial policy away from the goal of diversification and instead toward revenue generation. Interestingly, this reorientation occurred in the absence of wholesale paradigmatic institutionalisation the likes of which took place in neighbouring Alberta. In the absence of such large-scale institutionalisation, economic development policy in Saskatchewan remains an arena of paradigmatic contest between advocates of three broad schools: those calling on the province to relinquish its remaining levers of statist industrial policy, the provincial crown enterprises; those advocating for a return to statist industrial development strategy the likes of which defined the "entrepreneurial state" era in Saskatchewan (Glor 1997; Rasmussen 2001); and those who defend the status quo of using returns from profitable provincial investments for revenue generation purposes only. Since the dominant operative paradigm is not hegemonic and since the paradigmatic gatekeepers of competing inferential logics enjoy positions of influence, it is appropriate to conceive of the PIP paradigm in Saskatchewan as a synthetic paradigm (see Kay 2007).

## **4.1. Policy anomalies and Programmatic Shift: The Blakeney Years, 1971-1982**

### **4.1.1. *Blakeney's New Deals and the Reorientation of Policy Objectives 1971-1974***

The Saskatchewan Liberals were elected in 1964 under the leadership of Ross Thatcher with the conviction that the Cooperative Commonwealth Federation (CCF) under Tommy Douglas and Woodrow Lloyd had squandered opportunities to more thoroughly develop the resource sector. The Liberals thus moved to make the province more attractive to foreign investment by way of an “open for business” strategy (Eisler 1987: 151-152). Subsequent challenges led the Thatcher government to add joint ventures to the existing CCF policy of incrementally relaxing royalty schemes. It was intended that such a policy framework would kick-start development in pulp and paper, iron ore, and potash (see Warnock 2010: 5-6). With respect to potash, a major infrastructural programme was put in place with the belief and intention that communities surrounding deposits would become prosperous, providing a basis for secondary and tertiary industries to develop.

Experimentation with joint ventures —then a novel policy tool at the disposal of the Saskatchewan government— began to produce anomalies in the two major industries pursued by the Thatcher Liberals, pulp and potash. There was little that could be done in response to the unviability of the pulp industry except bemoan the fact that a fifty million dollar loan guarantee to Parsons and Whittemore would force the government to float a controversial venture (see Mathias & Rotstein 1971). With respect to potash, after substantial sums were spent diverting the South Saskatchewan River to supply prospective mines with needed water, increased production contributed to a glut in the global potash market. To remedy this, the Premier Thatcher first opted to extend the preferential CCF royalty rate to 1981 before devising a price fixing and pro-rationing scheme with the governor of New Mexico. The purpose of this scheme was to reduce production to 40% capacity in order to maintain the industry in the face of low demand (Eisler 1987: 170-172).

The Thatcher Liberals had introduced fairly significant changes to the direction of industrial policy in Saskatchewan by getting the state involved in the exploitation of the

province's natural resources. Where this experimentation was unsuccessful, the government largely backtracked to the previous system instituted by the CCF following its own perceived failures with activist post-staples industrial policy (see Johnson 2004). This reversion was however by no means wholesale, as the Saskatchewan New Democratic Party (NDP) stood to inherit idiosyncratic policy instrument packages put in place under Thatcher when it assumed office in 1971.

Although Blakeney campaigned on the promise of rectifying calibratory anomalies produced by Liberal policy toward the pulp, potash and iron industries, the defining features of the Blakeney era are the government's shift of programmatic objectives toward staples and new-staples industries, and the institutionalisation of the accompanying instrument mixes used to achieve them.<sup>34</sup> By the end of Blakeney's tenure in 1982, the NDP government had at its disposal a "family of crown corporations" whose objective it was to raise revenue to balance the provincial budget and substantially reinvest in the economy. It was not until after re-election in 1975 that the administration's programmatic goals shifted toward institutionalising the use of state enterprise in the resource sector. While ideas to this effect had been well established within the party since the founding of the CCF and were topical among social democrats given the 1969 publication of the *Waffle Manifesto* (see Watkins 1970), organisational learning appears to have defined the first term of the Blakeney government, which opted for nationalisation and a programmatic shift toward resource exploitation as a last resort. Though the crown corporation SaskOil was founded in 1973, the majority of the Blakeney government's attention in its first term was occupied by healthcare reform and two major initiatives that, while daring in their novelty, had little to do with state ownership of primary resources, the Department of Northern Saskatchewan (DNS) and the Land Bank.<sup>35</sup>

<sup>34</sup> The Debates and Proceedings of the Saskatchewan Legislative Assembly for 30 July 1971 capture Blakeney's interpretation of calibratory problems vis-à-vis "bad deals" struck by the Thatcher Liberals in pulp, potash and steel.

<sup>35</sup> Party preoccupation with foreign ownership during the Waffle debates had put pressure on the party executive to draw up the counter policy resolution on "selective nationalization" of Canadian industries (see Culbert 1969). To this end, party emphasis on foreign ownership of farmland sparked debate in the run up to the 1971 election as to the feasibility of a government-managed Land Bank. Although the rationale for the highly unconventional Land Bank is remembered by former ministers as originating within the

The Land Bank was part of a series of agricultural and other proposals aimed at drastically changing the style of governance in Saskatchewan. In an effort to achieve price stability, the Blakeney government worked with Ottawa to formulate price support and supply management for sectors of the economy that it perceived of as less volatile than cereal crops, such as dairy, poultry and eggs (see Blakeney 1997). The purpose of these policies was to encourage growth in value-added areas of the agricultural economy in order to promote the diversification that the NDP, while in Opposition, came to believe would not occur without more active intervention in the economy.

Blakeney promised in 1971 a “New Deal for People”; a twenty-one page pamphlet that included over a hundred proposals to remedy problems stemming from economic mismanagement (NDP 1971). Although the NDP criticised the economic development model pursued by Thatcher, the New Deal for People only indirectly alluded to crown development of resource industries. After the election, Blakeney’s administration, like the CCF before it, established a firm preference for the facilitation of secondary processing, thereby leaving resource development to the private sector (Blakeney 1972). The pursuit of secondary processing in Blakeney’s first term followed the trajectory established by Thatcher’s Liberals and used the Saskatchewan Economic Development Corporation (SEDCO) —established in 1963— to offer grants, loans, and loan guarantees to private investors in exchange for percentage of equity ownership in ventures. In a major shift, however, the NDP got out of the pulp industry after citing irreconcilable problems with the calibratory elements of pulp policies.<sup>36</sup> Though

Waffle, relevant ministers insist that the policy varied considerably from the idea’s original conception. More centrist party members recall their interpretation of agricultural anomalies as stemming not from foreign ownership but from the economic volatility of the sector generally and volatility of the sector in the late 1960s particularly. The framing of the agricultural problem was thus tied closely to the federal programme put in place by the Canadian Wheat Board in 1969, Operation LIFT (lower inventories for tomorrow), which aimed to remedy overproduction of cereal crops by subsidising farmers to leave their land fallow for one year or more. While Premier Thatcher went on record prior to his government’s defeat in 1971 denouncing LIFT as “an ill-conceived program to pay farmers inadequately not to grow wheat”, Barnsley (1971) contends that the return to high grain prices in 1971 had the public divided on the efficacy of the program. When the NDP government came to power in June of that year, Blakeney attributed the landslide victory to a “straight repudiation of federal agriculture policies” (see “NDP by landslide” 1971).

<sup>36</sup> A \$117 million dollar venture between government and US-based Parsons and Whittemore had been ratified by the legislature for construction at Dore Lake prior to Thatcher leaving government. Upon election Blakeney proposed major changes to the contract, stating “I can’t imagine Parsons and Whittemore would go for any deal I would go for” shortly before the deal went bust. Similarly, plans for a joint venture

Blakeney had stated early on his intention of exacting what he perceived to be equitable royalty and tax rates from resource companies, this was not dealt with until late 1973. The potash pro-rationing scheme that Blakeney had critiqued vociferously while in Opposition, for example, remained in place during the NDP's first term in office.

The two major policy programmes pursued in Blakeney's first term, the Land Bank and the DNS, faced considerable setbacks. In the north, crown marketing of natural products was emphasised but a complimentary programme of land entitlements met with insurmountable opposition from several quarters (see Gruending 1990: 118-125; cf. Collier 1995). Though discussion began on uranium development at the time of the DNS' inception, the first term of the department's existence was focused primarily on infrastructure development and on renewable resources (Hammersmith 2012). Marketing boards were the preferred instruments used to promote growth in fish, fur, and forestry; though this avenue, whether pursued federally or provincially, was hindered by years of resistance and debate (ibid).

As for the Land Bank, the programme was both unpopular and ineffective in achieving its goals (see Saskatchewan Agriculture 1972). Never owning more than 2% of Saskatchewan's farmland, the initial popularity was lost on farmers who had benefitted more from \$20 million in loans under the FarmStart programme, the formulation of a hog marketing scheme, and from the spike in world grain prices in 1975 (see Saskatchewan Finance 1976b; Saskatchewan Land Bank 1973). Allan Blakeney (1997: 258) laments,

Land Bank was, therefore, only a partial success. It achieved some of its purposes but many people were not convinced that the Land Bank was the best approach to the acknowledged problem. It was not that the idea was superseded by a better one. Rather it was that no approach to the intractable problem of getting farmland into the hands of the next generation was both effective and generally acceptable to the public... We tried a number of new approaches. We had a few major successes and a few that succeeded only in part.

To supplement to its agricultural focus, the government sought minor instrumental and programmatic change by focusing on food processing and equipment manufacturing by way of grants, loans, and joint ventures overseen by SEDCO. In the food industry, these ventures took the form of malting, rapeseed crushing, and iron mine were between government and Dension Mines were shelved with the change of government (see "NDP by landslide" 1971).



meatpacking facilities. Despite mixed success, the transition from wheat crops to value-added agriculture was stymied by unexpectedly high grain prices into the mid-1970s. Hardly related to agriculture or equipment manufacturing, the major SEDCO success during this period was the expansion of the IPSCO steel facility in Regina.

Negotiating investment in machinery production tended to be a tiresome process with proposals that seldom came to fruition. A protracted effort was made on the part of the government to secure a manufacturing base for light equipment in Saskatchewan that included high profile debates on the details of proposed joint ventures with a Romanian state-owned corporation, Co-op Implements, and Daimler-Benz. Like other proposed investments in secondary processing—including project outlines for a chopsticks factory, a heavy water plant, a noodle factory and an indigenous textiles industry—plans for equipment manufacturing in Saskatchewan fell by the wayside.

Shutdowns in the oil industry in the wake of expanded operations at the Regina Co-op refinery had prompted the government to move in May 1973 on guaranteed production by way of a crown corporation, Saskatchewan Oil and Gas (SaskOil) (Hinds 1973). The OPEC crisis and related resource controversies in October 1973 served to catalyze staples-oriented industrial strategy, which came to define the NDP's second and third terms. Efforts to tax windfall profits accruing from the OPEC crisis resulted in litigation from the oil industry and the 1978 landmark case, *CIGOL v. Saskatchewan*, on the constitutionality of so-called "indirect taxation". Joint ventures as the preferred tool to secure growth in the resource sector writ large persisted, however, until mid-1975 as evidenced by government's willingness to negotiate for equity ownership on private investments in potash until at least the end of 1974 (see "new tax levied on potash" 1974).

The anomalies that eventually led to the decision to pursue large-scale crown ownership of resources began to approach fever pitch in late 1972 (see "Noranda affiliate sues" 1972). Initially opposed to the potash pro-rationing system devised under Thatcher, Blakeney supported the cartel arrangement until anomalies surrounding performance and manageability became intractable. The government worked with the industry to devise an "orderly" system of production, but the proposal was balked at by Central Canada Potash Company, which had an existing marketing contract with Chicago's CF industries (see

"Saskatchewan boosts potash output" 1973; "Saskatchewan allows potash firms to run at rated capacity" 1974). The federal Supreme Court ruled \$1.5 million in damages to Central Canada Potash owing to the unconstitutionality of the province's reserves tax. Another lawsuit followed when eleven firms in the Canadian Potash Producers Association filed a complaint to the provincial court.

The solutions to the problems in potash, as former Deputy Premier Roy Romanow recalls, were pre-existing in the abstract, but required considerable articulation.

Our objective always was, as I recall it, to try to get a successful agreement with the potash companies. Initially, we had no intention of nationalisation or moving into an active crown corporation. We did have a shelf crown corporation which was one of several which had been set up. These had been set up, in part, because of the ideas generated by the Waffle in the late 60s, but also those by people like Eric Kierans who was very much a proponent of crown corporation ownership and development of natural resources. After agreement proved impossible with the potash industry, Cabinet was convened by Blakeney and we met over many meetings and many long hours about what we could do. Our challenges were compounded by the fact that the courts came down with a decision that the province did not have jurisdiction to implement regulations over potash because its product moved across interprovincial and international borders, and thus fell under the purview of the federal government and Section 91 (2). So after a great deal of debate, it was decided by Cabinet that if we could not achieve our goals by regulation and legislation, then we could do so by converting the shelf company into an active and vigorous crown corporation. We would immediately start peopling it with men and women who knew the business and we would introduce legislation which would first incorporate PCS, and, second, empower the provincial Cabinet to negotiate for the purchase of potash mines, and, if need be, to nationalise in case of impasse (Romanow 2012).

The articulation required to put plans into practice involved a significant effort on the part of government that was undertaken in virtual secrecy.<sup>37</sup> The rationale for keeping plans for nationalisation out of the New Deal '75 programme was that these issues might lead to Blakeney's defeat in the 1975 election.<sup>38</sup> The shift from a post-staples ISI programme to a new-staples ELI thus coincided with the run up to the NDP's second term. While the main election issues were agriculture and the unpopularity of the Land

<sup>37</sup> This secrecy may explain the conceptual purity of the policy product by the time the legislation reached the House (see Figure 2).

<sup>38</sup> One respondent contacted for this study hypothesised that "In that election, the debate was about the Land Bank... Blakeney, if he had not gotten a perfect split of the opposition parties would have probably been defeated after one term in 1975 because it was a very contentious issue."

Bank, Cabinet had decided prior to the election that large-scale appropriation of resource industries was the best industrial policy to pursue under the circumstances.<sup>39</sup>

By 1975, a definitive about turn had taken place in the industrial strategy of the Blakeney government. No longer interested in discussion on government involvement in food processing and equipment manufacturing, Cabinet came to favour more and more a policy of governing the trajectory of the resource economy.<sup>40</sup> The lag time between problem definition and the institutionalisation of solutions can be extensive, however, if instruments and their programmatic objectives must be forged anew. The novelty of a crown corporation in potash production can be juxtaposed in this respect against the more conventional idea of crown investment in the oil industry. The relative hesitation on the part of the Blakeney NDP to nationalise segments of the potash industry undeniably stemmed from the political difficulty inherent to the politics of nationalisation. Hesitation in this case was characterised by attempts to alter settings of existing arrangements and to offer more conventional instrument mixes (e.g. joint ventures) to secure a workable arrangement with the potash industry. Following the failure of these methods and the exacerbation of existing tensions between industry and government, instrument mixes were brought up to speed with the programmatic objective of encouraging growth in potash that materialised only months prior (see “new tax levied on potash” 1974).<sup>41</sup>

<sup>39</sup> Romanow (2012) recalls, “under the debate of the agricultural issue we were working in the bowels of the legislature morning, noon and night. We had two sub committees. The responsibility of the committee I chaired was to make sure that the legislation for takeover was constitutionally valid and that the legislation for setting up the crown corporations was valid. I was responsible for piloting through the legislation, steering the debate on both of these issues, and for, in effect, being in charge of developing the arguments of conservation, maximising the returns to the treasury, controlling the environment, all of which had been weakened by various prior decisions. We did it all around the clock right after re-election, in 1975, and Cabinet was debating all of these things concurrently... If we couldn’t regulate our natural resource commodities because [Section] 91.2 was a federal responsibility, if we couldn’t tax and regulate them in the best interests of the province of Saskatchewan, then the only way that we could get around this was by owning them. As much as anything, this was a pragmatic decision, given our circumstances.”

<sup>40</sup> This shift in policy objectives is captured succinctly in a meeting of Cabinet with Saskatchewan Wheat Pool representatives interested in state assistance for secondary processing. Blakeney states to the meeting “the grater the extent to which a product moves away from resource development toward secondary industry, the less the government wishes to become involved” (see Gruending 1990: 130).

<sup>41</sup> The temporal ordering of these developments highlights the importance of a multi-iterative framework that is not strictly sequential. Aside from increased royalties and taxation (first order alterations to settings), efforts to alter the pro-rationing policy instituted under Thatcher came late, indicating that programmatic objectives were not focused on potash development during the first years of the Blakeney administration. Recalling Figure 6, the sequence of experimentation proceeded with multifarious adjustments to settings, a

Table 4 summarises the processes of ordinal change in Blakeney’s first term. Although higher orders of change were debated and even formulated immediately, it was not until 1973 that the first significant programmatic change was implemented.

**Table 4. Ordinal Change Processes in Saskatchewan, 1971-1974**

<u>Date</u>	<u>Orders of Change Debated</u>	<u>Orders of Change Formulated</u>	<u>Orders of Change Implemented</u>	<u>Paradigm</u>	<u>Epoch</u>
1971	1 <sup>st</sup> (equity royalties—pulp, potash, steel) 2 <sup>nd</sup> (crown corps) 3 <sup>rd</sup> (post-staples ISI)	2 <sup>nd</sup> (marketing boards) 3 <sup>rd</sup> (agri manufacturing)	1 <sup>st</sup> (pulp and steel ventures) 2 <sup>nd</sup> (marketing boards; SEDCO joint ventures)	IP	Post-staples ISI
1973	1 <sup>st</sup> (potash tax)	1 <sup>st</sup> (potash tax/ royalties)	1 <sup>st</sup> (potash tax/ royalties)	IP	Staples
-	2 <sup>nd</sup> (SaskOil; PCS)	royalties)	2 <sup>nd</sup> (SaskOil)		ELI
1974	3 <sup>rd</sup> (staples ELI)	2 <sup>nd</sup> & 3 <sup>rd</sup> (resource legislation)	3 <sup>rd</sup> (staples)		

**4.1.2. Institutionalising an Epoch: The NDP's Second and Third Terms, 1975-1982**

Failing to attract investment in heavy industry in its initial attempt, by the end of 1972 the administration was calling for specific input on resource policy beyond increased royalties and taxes. Blakeney contended that “by 1975, we felt that we had given our farm programs time to work... in any case, the stress wasn’t there by 1975 and we had some other priorities” (see Gruending 1990: 131). While the Blakeney government continued to express some interest in joint ventures in resource development until at least 1976, it was in that year that the government established the Saskatchewan Mining Development Corporation (SMDC) with the hope that the crown would play a major role in uranium exploration and extraction in the future (Harding 1995: 289-291).

The perceived failure of existent policy detailed in Section 4.1.1 led to the creation of the crown-owned and operated Potash Corporation of Saskatchewan (PCS) in late 1975 and moves to capture near-majority share in the sector (see “Saskatchewan to

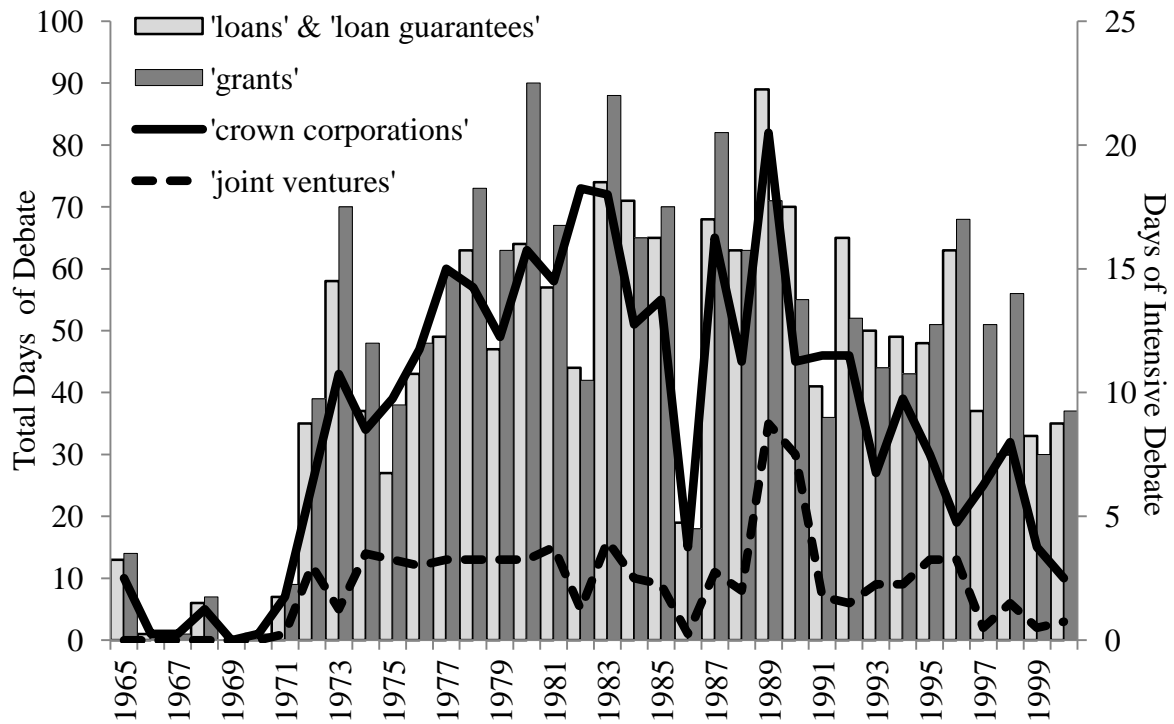
reorientation of industrial policy objectives toward potash development, attempted second order changes in the form of joint ventures and new taxes, and (finally) second order change in the form of state owned enterprises.

take over potash mines” 1975; Trumbull 1976). The institutionalised consolidation of the new resource sector crowns was completed in 1978 with the formation of the Crown Investments Corporation (CIC), whose role was to direct the trajectory of the government’s full-fledged new-staples ELI industrial strategy. In May 1978, the Saskatchewan Heritage Fund was set up as a means to reinvest resource revenues in crown corporations. In late 1980, the Prince Albert Pulp Company (PAPCO) was brought under crown control in order to do away with low royalty rates negotiated by the Thatcher Liberals and to promote reforestation (Humphries 1980a).<sup>42</sup>

Figure 10 tracks the issue salience of instrumental terms in the Saskatchewan legislature and captures the transition from a liberal post-staples industrial strategy to a statist staples and new-staples policy between 1970 and 1980. Figure 10 indicates that the salience of crown instruments became gradually more pronounced, beginning in 1973 with the establishment of SaskOil, and came to a head with the NDP’s defeat in 1982.

<sup>42</sup> The Saskatchewan Heritage Fund floated a balance of approximately \$1 billion during the Blakeney years (see Peters 2006).

**Figure 10. Issue Salience in the Saskatchewan Legislature—Instrumental Terms**



Debate during the Blakeney era experiment with crown-led development tended to be primarily ideological. Though the Progressive Conservative Opposition had been critical of state-led development generally, anticipated problems arising from plans for crown exploitation of uranium in 1977 became the Opposition’s primary focus. Controversy over uranium development also spilled over into the public discourse, though in the process the definition of perceived problems became more preoccupied environmental concerns than technical or economic feasibility (Humphries 1980b; Powers 1980).

Serious discussion on uranium development surfaced in Cabinet via special committee in 1974, (as the shift toward state-led new-staples ELI was in the process of being formulated). Throughout 1976—the year that SMDC purchased a stake in uranium development in Uranerz— there was long fought debate within the Party, Cabinet, and Saskatchewan society on the virtues of uranium development in the province. The debate boiled down to two polarised viewpoints expressed by the Cabinet committee on uranium

development convened in the summer of 1976.<sup>43</sup> At the annual NDP convention in November, committee presentations on uranium prospects yielded a majority voice on a temporary moratorium on development until hearings were completed. Blakeney reshuffled the Cabinet, ushering Ed Whelan out from Mineral Resources and appointing Jack Messer, a strong proponent of uranium, to his position.

Just prior to the Cluff Lake Board of Inquiry (the Bayda Inquiry) in February 1977, retroactive legislation was passed giving SMDC equity in uranium holdings. Designed in such a way as to generate minimal controversy, the Bayda Inquiry was the tool used both to rationalise uranium exploration and development and to work out the more concrete details of this aspect of the NDP's industrial policy. Jerome Hammersmith contends:

That inquiry did a lot. It held hearings in both the northern communities and in the southern communities; most of the resistance toward uranium development was in Saskatoon and Regina. The views of northern people were that, yes we should do the development, but we need to benefit; we need training, job opportunities, business opportunities and the like. We can't just be spectators as we always have been in development. There needs to be obvious benefits for us. Then that became one of the priorities of and within the Department of Northern Saskatchewan: northern training, employment, and business development. As a result of one of the main recommendation out of the Bayda inquiry and one of the actions that the government adopted was, they said, you as the communities don't own the uranium, the crown owns the resource, but in order to mine it the company will have to lease the land and they'll have to lease that from the province and so we will make provisions in the land lease called the 'land lease agreement', we'll make provisions for training, employment, and business opportunities and community development. The other thing we'll do is make sure that we're not creating a series of one industry towns (Hammersmith 2012).

The instrument targets that influenced Bayda's decision were an estimated \$1.5 to \$3 billion in taxes and royalties by 1990 (see Bayda 1978).<sup>44</sup> Through it had been discussed since 1975, it was not until January 1980 that hearings took place on a proposal for Eldorado Mining and Refining, then a federal crown corporation, to build uranium refining facilities north of Saskatoon. While refining operations were consistently pushed

<sup>43</sup> Labour came out against uranium prior to the annual NDP convention in November.

<sup>44</sup> It is perhaps a consequence of such image framing that uranium was virtually a non-issue in the 1978 election.

by Cabinet, a federal panel rejected the proposal on the grounds that the community of Warman appeared much too disdainful of the project (see "The refinery at bay" 1980).

The proposed expansion of the value chain on uranium development was the last major industrial policy initiative by the Blakeney government prior to its defeat in April of 1982. Table 5 summarises the sequence of change undertaken between 1975 and April 1982.

**Table 5. Ordinal Change Processes in Saskatchewan, 1975-1980**

<u>Date</u>	<u>Orders of Change Debated</u>	<u>Orders of Change Formulated</u>	<u>Orders of Change Implemented</u>	<u>Paradigm</u>	<u>Epoch</u>
1975 - 1978	1 <sup>st</sup> (pulp royalties) 2 <sup>nd</sup> (resource crowns) 3 <sup>rd</sup> (uranium mining)	2 <sup>nd</sup> (resource crowns) 3 <sup>rd</sup> (uranium)	2 <sup>nd</sup> (PCS; SMDC; CIC) 3 <sup>rd</sup> (uranium)	IP	New-staples ELI
1980	2 <sup>nd</sup> (PAPCO as crown) 3 <sup>rd</sup> (uranium processing)	2 <sup>nd</sup> (PAPCO) 3 <sup>rd</sup> (uranium processing)	2 <sup>nd</sup> (PAPCO)	IP	New-staples ELI

That few of the policies implemented by the NDP underwent recalibration during Blakeney's tenure is an indication of the perceived success of these policies.<sup>45</sup> Indeed, Table 5 suggests that statist industrial policy enjoyed considerable institutionalisation in the NDP's second and third terms. The statist IP was, however, not without its opponents. That the gatekeeping involved in Blakeney's 1976 Cabinet shuffle was necessary is indicative of the resistance that ultimately led to failed attempts to get the province into the business of uranium refining in 1980.

## **4.2. Paradigmatic Crisis Under Devine Rule, 1982-1991**

The Blakeney NDP went down in defeat in April 1982, maintaining only nine of the forty-four seats won in the 1978 election. The Progressive Conservative (PC) Party under the leadership of Grant Devine won an outright majority of fifty-five seats (up from

<sup>45</sup> In 1985, Blakeney stated in Opposition, however, that the NDP would get out of the uranium business if elected in 1986 (see Baron & Jackson 1998).



the previous election's seventeen). Devine's victory is attributable to his "pocketbook politics" appeal to rural constituents and the dual promises of mortgage relief and the abolition of the twenty percent gasoline tax (Cleroux 1982a; 1982b).<sup>46</sup> While minor alterations to the new-staples ELI paradigm materialised in the PC government's first term, changes that contributed to the IP paradigm's eventual demise were not well articulated until 1986. The Devine Conservatives opted instead to revert to a pure-staples approach by encouraging growth in the conventional oil and gas sector by way of alterations to instrument settings on existing taxes and royalties. Little attention was given to new-staples investment, as both the CIC and Heritage Fund had limits placed on financing input and investment output. As anomalies accrued in the form of crown deficits, a post-staples strategy surfaced in the form of joint ventures, cash grants and loan guarantees to business in the manufacturing sector.

#### ***4.2.1. Backward Iteration, Forward Iteration: Industrial Policy 1982-1986***

Despite the PC Party coming to power in 1982 promising a "free enterprise alternative" to the policies of the NDP, paradigmatic stability based on crown management of key resource sectors was maintained throughout the course of Devine's first term in office (Thatcher 1985). Where PC policy deviated was in first order alterations to the royalty structure for private oil companies and in second order experiments in subsidising private firms in the manufacturing sector (see Stobbe 1991a; Baron & Jackson 1991: 320-324). Backward iterations to policies similar to those employed by the Thatcher Liberals (1964-1971) were prompted by general disdain within the governing PC party for the crown-led new-staples ELI industrial policy established under the Blakeney regime and ideas about how to offset the negative effects of the federal interest rate policy. In terms of the former, Devine appointed the PC Opposition finance critic, Paul Rousseau, to the portfolio responsible for SEDCO and CIC. With respect to the latter, the preferred recourse was to increase activity in the oil and gas industry by reducing royalties collected by government from \$7.94/barrel to \$5.89/barrel (McCallum 1982).

<sup>46</sup> Mortgage subsidies were an especially attractive election promise given that Canadian interest rates had increased to above 22% in the hopes of curbing inflation (see "Interest rates common target" 1982).

Though Rousseau's philosophical aversion to crown-led development was well pronounced prior to Devine's election, crown investments were not shelved in Devine's first term, but rather curtailed. Devine's first budget limited transfers from the Saskatchewan Heritage Fund to \$28 million to SaskOil (in comparison to \$184.7 million transferred to CIC by the NDP in 1981), indicating a pure-staples bent to the new PC government (see "Saskatchewan cuts crown firms' aid" 1982). In 1982, the Crown Investments Review Commission was convened to give a report on the state of the CIC (cf. Wolff 1982). Subsequent reports over the next two years on CIC determined a consolidated loss of \$126 million for 1982 and 1983 (see "Crown firms" 1984). The use of the Saskatchewan Heritage Fund as an investment vehicle was hindered by a prime rate of interest above 22%, leading the Devine Conservatives to opt instead to use the fund for interest relief (see "High interest damages fund" 1983).

Despite significant curtailment of crown activity, the Devine industrial policy became activist in 1984. Post-staples "entrepreneurship" was encouraged in the province by way of the Venture Capital Program and the Tax Incentive Program (Flegel 1985). These programs in combination with cash grants and loans led to such investments as the Gainers bacon processing plant, a Dad's Cookies factory, investment by Vanguard RV manufacturing and Hunters Trailer and Marine, Gigatext and Joytec software, SuperCart shopping cart manufacturing, and High R Doors overhead door assembly. In agriculture, the preferred instrument to offset the disastrous consequence of interest rates involved loans to farmers at 8% interest. As the Tories moved into a post-staples orientation, a Livestock Investment Tax Credit was introduced in 1984 as the second "prong" in Devine's agriculture strategy (see Flakstad 1984).

The anomalies produced out of first and second order alterations were quick to materialise in the form of annual deficits that quickly spiralled out of control (Statistics Canada 2012).<sup>47</sup> After it was realised that the first deficit in eleven years was not the product of a cyclical economy, as Finance Minister Gary Lane had initially argued it to be in the lead up to the 1986 election, serious efforts were made to get the financial house

<sup>47</sup> Statistics Canada (2012) reports the emergence of significant deficits beginning in 1982, exceeding the \$1 billion mark by 1986 and (with the exception of a modest surplus in 1989) lasting until 1994.

in order (see Saskatchewan Finance 1986). Despite backtracking on initial tax-cuts made to Saskatchewan consumers (Biggs & Stobbe 1991: 9-15), the Conservatives began a process of programmatic reform aimed at curbing the deficit. This two-fold process involved drastically reducing the size of the public sector and beginning a process of privatisation that defined the Conservative's second term —starting with the 1986 sale of SaskOil shares and the privatisation of PAPCO pulp.

Table 6 summarises ordinal changes experimented with in Devine's first term.

**Table 6. Ordinal Change Processes in Saskatchewan, 1982-1985**

<u>Date</u>	<u>Orders of Change Debated</u>	<u>Orders of Change Formulated</u>	<u>Orders of Change Implemented</u>	<u>Paradigm</u>	<u>Epoch</u>
1982	1 <sup>st</sup> (royalties, taxes; crown settings) 2 <sup>nd</sup> (staples instruments; crown activities) 3 <sup>rd</sup> (staples)	1 <sup>st</sup> (royalties, taxes; crown settings) 2 <sup>nd</sup> (staples instruments; crown activities) 3 <sup>rd</sup> (staples)	1 <sup>st</sup> (tax and royalty cuts; CIC operating costs cut; limits on Heritage Fund) 2 <sup>nd</sup> (drilling incentives; crown investments curtailed) 3 <sup>rd</sup> (staples)	IP	Staples ELI
1983 - 1984	2 <sup>nd</sup> (post-staples instruments) 3 <sup>rd</sup> (post-staples)	2 <sup>nd</sup> (post-staples instruments) 3 <sup>rd</sup> (post-staples)	2 <sup>nd</sup> (Venture Capital; tax incentive programs [livestock]; cash grants/loans for enterprise) 3 <sup>rd</sup> (post-staples)	IP	Post-staples ELI

Table 6 shows that Devine was successful in implementing the policies formulated by between 1982 and 1986. While there is some indication that the administration was hesitant to do away with the “family of crown corporations” in its first term, perceived anomalies arising out of the inherited policy framework provided the impetus for sweeping reform in Devine's second term. The PC government therefore sought a rationale for privatisation that was beyond the observation that crowns were no longer profitable in the midst of recession. While part of the impetus for the sale of SaskOil shares was that the crown required revenue to expand into natural gas, in seeking an explanation for why statist industrial policy was no longer viable, advocates of privatisation ventured into the philosophical realm. This was necessary in order to offer

an alternative interpretation of the ontological links between programmatic objectives and abstract goals, thereby calling the virtues of statist industrial policy into question.<sup>48</sup>

#### **4.2.2. *The Marketplace for Ideas, 1988-1990***

There is no point in the history of industrial policy formulation in Saskatchewan where a “search for new ideas” outside of government as modelled by Hall (1993: 291) and Oliver and Pemberton (2004: 419-420) is more apparent than in 1987-1988. In 1987 the Fraser Institute hosted a conference on privatisation in Vancouver that was attended by several representatives from Saskatchewan (see Walker 1988). After the conference, Madsen Pirie, who had served as an economic advisor to the British Conservative Party, flew to Saskatchewan to address an organisation hosted by the National Citizens’ Coalition just as the Institute for Saskatchewan Enterprise began to publish on the economic benefits of privatization (Stobbe 1991b: 88-89).<sup>49</sup> As the sale of SaskMinerals

<sup>48</sup> Comments made to the House by Grant Schmidt provide a summary of perceived first term anomalies and the philosophical aspects of the ontology guiding second term Tory policy; “The socialist decade in Saskatchewan was a decade where we had high oil prices, high grain prices, high prices for potash, and just as many people left as the decade where we had a Conservative government where we had low prices for all three of those commodities, and drought thrown in on top of that. Part of the reason the past decade we’ve had people leave [sic] is because diversification didn’t take place under social planning in a period of time when money could have been spent diversifying Saskatchewan. People will go to where they believe is a land of opportunity, and that’s what this government is trying to do. This government has not done that quick enough, mostly due to the Opposition who have held up plans of this particular government to diversify the economy, to include the public in participating and investing in their own province. We are trying to make this a land of opportunity... In addition, Mr. Speaker, people world-wide have always left socially planned states and moved to market economies, and Saskatchewan is not yet a full market economy province, and that is what we were trying to do in this session and the last session, and in the next session, Mr. Chairman. And I can give you many, many examples, but I mean you could follow the list. People try to leave East Germany for West Germany. People try to leave Vietnam for Hong Kong. And people are allowed to leave Saskatchewan for Alberta, British Columbia, and Ontario [...] So those examples will tell you that people leave socially planned economies whenever they are allowed to and move to free market economies. People look for opportunity. We have to build in Saskatchewan, the land of opportunity, so that people have the ability, the rights, the opportunity to succeed. And unfortunately with that opportunity to succeed also comes the opportunity to fail... And there always will be some failures when people are trying new things. But if we don’t try new things in Saskatchewan, we will continue in the same old ways [...] I ask the people to look at the world as a whole, to look at the world-wide economies, see where people are trying to move to in the world. For example, California in the United States has been the fastest growing state. It is also the most conservative state and also it is the most capitalistic state in the United States... So clearly people are flowing within countries and throughout the world to areas where there is a free market economy with opportunity, and that’s what we must build in Saskatchewan” (Debates and Proceedings of the Legislative Assembly of Saskatchewan, 22 August 1989).

<sup>49</sup> See also the Debates and Proceedings of the Legislative Assembly for 27 August 1987 and 28 March 1988.

and minor privatisations proceeded through 1988 (mostly via complex mergers), the groundwork was laid to have SMDC relinquish provincial control over uranium. Throughout 1989 and 1990, PCS shares were sold off in increments (see “Potash Corp. sale cost Saskatchewan” 1990) and the Barber Commission was convened to assess the feasibility of privatising SaskEnergy —the new natural gas component of SaskOil (Saskatchewan 1989). The policy tool used to rally support for privatisation was “public participation”, a policy whereby individual shares of crowns were sold off to interested buyers within the Saskatchewan public.

#### **4.2.3. *The Tory Bid to Institutionalise Irreversible Change***

Heralded by Devine as the NDP’s philosophical “Alamo” (York 1989), the scheduled privatisation of SaskEnergy, along with the government’s announcement of plans to privatise SaskTel, prompted mass mobilisation against the Devine programme, ostensibly because it violated the logic of the emergent paradigm (by now institutionalised in public participation) that held that crown utilities would be exempt from sale (see Eisler 1989). By 1990, the mobilisation of the NDP, organised labour, the media, and academia against the programme appeared to bear fruit, as indicated by the Conservative’s poor performance in the polls and its failure to pass its omnibus bill on privatisation in the legislature in spite of two attempts (see Pitsula & Rasmussen 1990; cf. Baron & Jackson 1991: 293-311).

Former NDP minister and Opposition finance critic, Ned Shillington (2012), remembers the public participation experiment as being ineffectual in all regards.

I think the programme was a complete and utter failure; they gave the shares out at a price that we thought was way below their value—in some cases below their book value... it had no beneficial or ameliorating effect on the economic problems of the province. The amount that went to any one citizen was too small to be of any real value and I don’t think it worked politically in the sense that people thought they were participating in the experiment.

Prior to the utility debates, the Conservatives were consistently ten percentage points ahead of the NDP in the polls. Shillington (2012) recalls that “we came out of the debate ten percentage points ahead of the Tories and that didn’t change until the next election.” The sudden drop in PC popularity likely stems from the fact that Devine’s rural constituents saw little benefit arising out of the sale of the rural telephone and gas

services on which they had come to depend.<sup>50</sup> In this sense, Devine’s vision was intended to appeal to a segment of Saskatchewan society whose ideas about the role of government in the economy differed drastically from those who had elected the Progressive Conservative Party to power in the first place.

Table 7 chronicles the events leading up to the Conservative’s bid to institutionalise irreversible programmatic change in 1988-1989.

**Table 7. Ordinal Change Processes in Saskatchewan, 1986-1991**

<u>Date</u>	<u>Orders of Change Debated</u>	<u>Orders of Change Formulated</u>	<u>Orders of Change Implemented</u>	<u>Paradigm</u>	<u>Epoch</u>
1986 - 1987	1 <sup>st</sup> (crown settings) 2 <sup>nd</sup> (privatisations) 3 <sup>rd</sup> (natural gas; epoch replacement)	1 <sup>st</sup> (crown settings) 2 <sup>nd</sup> (privatisations) 3 <sup>rd</sup> (natural gas)	1 <sup>st</sup> (existing crown investments scaled back) 2 <sup>nd</sup> (privatisations of SaskOil and PAPCO; SaskEnergy) 3 <sup>rd</sup> (natural gas exploitation)	IP	Post/new-staples ELI
1988 - 1989	2 <sup>nd</sup> (public participation; privatisations) 3 <sup>rd</sup> (new-staples)	2 <sup>nd</sup> (public participation; privatisations) 3 <sup>rd</sup> (total epoch replacement)	2 <sup>nd</sup> order (public participation; PCS and other crown privatisations)	IP	Post-staples ELI
1990 - 1991	2 <sup>nd</sup> (Sask Diversification Corp)	2 <sup>nd</sup> (Sask Diversification Corp)	2 <sup>nd</sup> (Sask Diversification Corporation) 3 <sup>rd</sup> (new staples)	IP	Post/new-staples ELI

In the interim between the government’s failure to institute a replacement of the programmatic epoch and Devine’s electoral defeat, the IP paradigm was —quite ironically— sustained by way of a retreat back to new-staples ELI policies. Devine shuffled his Cabinet in the run up to the 1991 election, ushering out the architect of his diversification strategy, Eric Berntson, and focused his rhetoric toward the benefits of free trade. Saskatchewan joined negotiations on the interprovincial Agreement on Internal Trade (AIT) in 1990. Between 1989 and 1991, two joint ventures in heavy oil upgrading were worked out for facilities at Lloydminster and Regina. Ventures in pulp were reinstated via cash grants for paper production at the former PAPCO (now

<sup>50</sup> The Saskatchewan Public Accounts indicate ample spending on rural electrification and telephone infrastructure during the Blakeney administration (see Saskatchewan Finance All years). SaskPower did not begin to invest heavily in natural gas until after Devine’s election, though rural gas infrastructure development was very popular among Devine’s rural constituents.

Weyerhaeuser) site. A mill at Meadow Lake was built (but ultimately failed), and Saskferco fertiliser got started in the province. In the last months of the Devine administration, a crown corporation called the Saskatchewan Diversification Corporation was set up in secret and an \$18.4 million grant was negotiated for a Belgian firm to construct an aircraft manufacturing facility in Saskatoon (see “Saskatchewan backs aircraft plant” 1991). Despite mixed success in such ventures, and reporting a balanced budget in 1989, the Devine Conservatives were discredited by their failure to gain popular support for sweeping reforms. Marred further by high profile scandal (Jones 2000), the Tories were swiftly defeated by the Romanow NDP in 1991.

**Figure 11. Issue Salience in the Saskatchewan Legislature— Programmatic Terms**

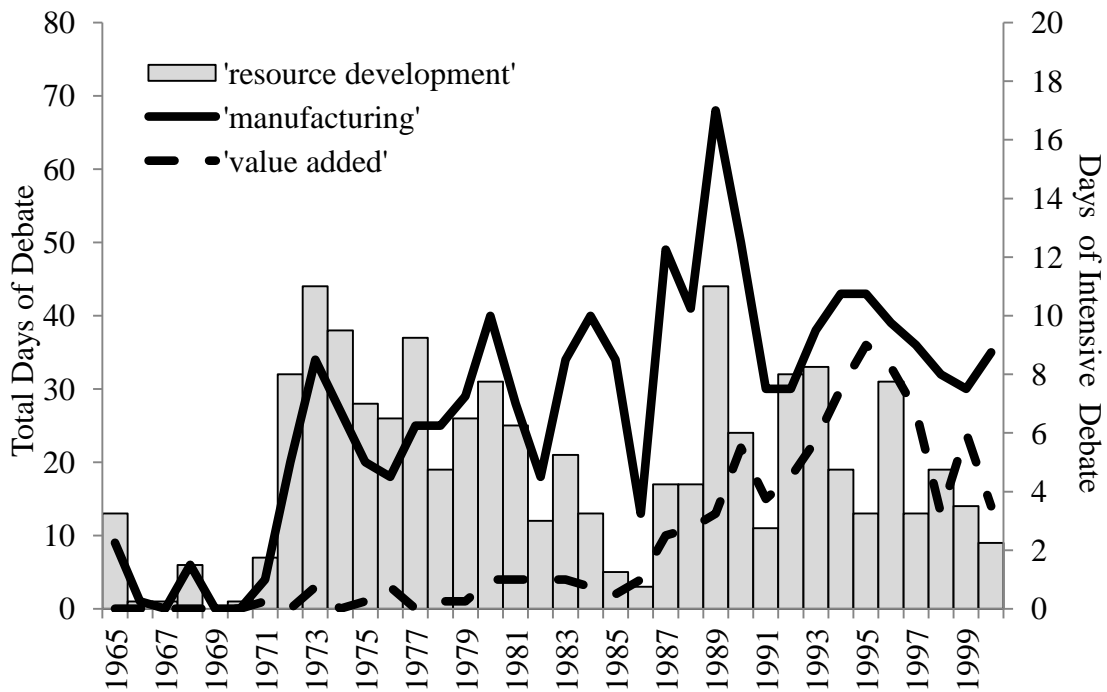


Figure 11 shows how the issue salience of programmatic terms in the Saskatchewan legislature shifted during Devine’s tenure. The salience of resource development policy reached a ten year low in 1986 as emphasis on value-added manufacturing came to the political fore. Similarly between 1989 and 1992, as anomalies

accumulated in the post-staples epoch, the salience of resource development rebounded.<sup>51</sup> The following sections discuss the implications of continued emphasis on programmatic and instrumental policy elements into the PIP paradigm.

### **4.3. Paradigm Stalled: Romanow and Saskatchewan's Industrial Policy in the Absence of New Ideas**

Given the mixed results of the Devine programme, the most accurate depiction of the period from 1986 to 1991 is one whereby two attempts at programmatic change to policy objectives were tried: one successful and the other a failure. The first programme as institutionalised in public participation achieved its objectives in the face of strong resistance from the Opposition in matters concerning, for example, the privatisation of PCS. It was only when the programmatic objectives were expanded to include the privatisation of utilities that the Devine government failed to institutionalise its ideas. The NDP administration of Roy Romanow thus entered a post-staples and new-staples paradigmatic scene defined by mass sales of government operations excluding utilities.

Romanow's position on the paradigmatic goals of liberal industrial policy was well articulated while in Opposition:

...the government opposite has had eight years to implement its policies as they describe it of diversification but what the people of Saskatchewan know amounts to privatisation and a robbing of the assets and the heritage of Saskatchewan. They've had eight years, Mr. Speaker— eight years to implement these policies. How are they making out? That's the question Saskatchewan people are asking. Because the bond rating agencies are saying that they have failed miserably and they've lowered the credit ratings. We've had GigaText and Joytec, Supercart, Cargill, Pocklington, Weyerhaeuser, and the list goes on. How are they making out? Will the Deputy Premier tell us why in the world, if these policies of diversification are supposed to be working, how is it that the province loses so many people? How is it that we're in this financial mess? Can you explain that? (Debates and Proceedings of the Legislative Assembly, 4 June 1990).

Instead of embarking on paradigmatic reversal, one of the Romanow government's first orders of business involved anomaly definition that was consistent

<sup>51</sup> Legislative debate between 1988 and 1991 became preoccupied with the relative success of the Tory's post-staples diversification strategy. As early as 1985, the government had acknowledged that it had been unable to attract requisite investment in oil upgrading, though focus on this area and type of the economic development only became advertised by the Tories as a success following their failure to institutionalise epoch change via wholesale privatisation.



with, but more hard-line than the position taken by the Tories in their 1990 Budget Address (see Saskatchewan Finance 1990). The controversial review of budgeting undertaken by the 1992 Gass Commission estimated that the actual size of the accumulated government debt was twice what had been reported by the Progressive Conservatives (Tchorzewski 1992).<sup>52</sup> Romanow's first budget (Saskatchewan Finance 1992) therefore ruled out job creation initiatives given the \$760 million burden of interest payments on the debt. The budget detailed \$600 million in CIC losses derivative of bad investments, citing the Tory sale of Cameco (formerly SMDC) shares, a \$64 million write down in the bi-provincial upgrader and \$50 million to the Meadow Lake pulp mill. The accompanying address quoted \$875 million in other non-recoverable debt as a result of privatisations and losses in IP ventures, such as \$118 million in SEDCO losses, \$36 million in Saskatchewan Transportation Company losses, \$24 million in Saskatchewan Forest Products losses, \$14 million in Saskatchewan Diversification Corporation losses, \$6 million in the Agricultural diversification company losses, and \$4 million in losses on the Gigatext venture (Tchorzewski 1992: 2). In 1992, the procedural policies governing IP investment were reformed and the substantive elements of CIC and SEDCO were restructured, making provisions for routine reporting and legislative oversight to ensure that CIC and SEDCO could no longer be used as "a political playground for pet projects" (ibid: 5).<sup>53</sup>

Emphasis on austerity within the NDP led to the announcement that crown corporations would neither be scaled up to the status enjoyed prior to 1986 nor would they be employed as instruments for economic development independent of joint

<sup>52</sup> NDP finance critic, Ned Shillington (2012) states, "we had campaigned on the basis of a sounder fiscal approach so we felt we had a duty to tackle the debt. I didn't think we were overly generous to the Devine Conservatives when we were critiquing their policies in Opposition, but we totally underestimated the problem. It hit us like a freight train. At one point in time, and this was never widely shared, a couple of ministers actually talked about defaulting on it. We tackled it in what we thought was a fairly courageous manner." Though organised labour took issue with economic indicators used by the Gass Commission and published a counter budget (Sentance 1992), one respondent indicated that neither budget resonated particularly with the public. In the case of the Gass Commission report, this respondent suggested that the commission was convened as "sort of a cover for what we knew was going to be an austerity budget; it didn't tell us anything we didn't already know". As for the budget endorsed by the Saskatchewan Federation of Labour, this participant stated that "it was not persuasive nor do I think it had any effect... I don't think the public felt it was credible."

<sup>53</sup> Finance (1992), however, reinvigorated funding for northern development and SaskTel International's mandate was broadened to encourage investment abroad.

ventures (Saskatchewan 1992; see Figure 10). Fiscally bound and absent the appropriate mechanisms of industrial diversification, the Romanow NDP instituted a shift of state goals that was tantamount to a relinquishment of industrial policy ideals. Premier Romanow (2012) explains,

The name of the game had been dramatically changed. Once something was privatised, you couldn't re-nationalise it under one or more of these [trade] agreements. In 1991 when I became Premier, PCS was already, at great cost to the taxpayers of Saskatchewan, privatised. So why would we go through all the political upheaval and at great cost re-nationalise it? The same thing applied to uranium— that had been privatised to Cameco. The same with the oil companies. All of these privatisations by Devine were factor number one. Factor number two, which is maybe even more important than factor number one, is that we were broke. I inherited a government that was flat busted. It's as simple as that. And I was under tremendous pressure by Mulroney who was Prime Minister, and under tremendous pressure by the financial institutions to whom we were indebted— the bond rating agencies, and other aspects of the financial world— to get the fiscal house into order. This was tough because shortly after I took over as premier, the province's credit rating was for the first time lowered to triple B. So it was hard to get the money and if we could get the money we'd have to pay usurious, exorbitant interest rates. So I had a situation on my hands where in the yearly budget, the highest expenditure was health care, the second to highest expenditure was education, and the third highest expenditure was meeting the interest payments on the debt.

Accompanying debt restructuring in 1992, a Provincial Action Committee on the Economy (PACE) was convened, leading to the publication of the NDP's industrial strategy. *Partnership for Renewal* (Saskatchewan 1992) revised the royalty structure on oil and gas exploitation to encourage investment; the Northwest Forest Renewal Plan was put in place in concert with the relinquishment of half of CIC's shares in Saskatchewan Forest Products to Macmillan Bloedel to facilitate reforestation and industry development; taxes on direct agents used in manufacturing were scheduled to be phased out by 1994; and the Corporation Income Tax was to be reduced from ten to eight percent over three years. Although the mandate of PACE was to balance business with other interests in the province (indicating a state of paradigmatic limbo), the instruments of economic development shifted decidedly from direct and organisational to treasure and

tax-based in the 1993 budget, with the notable exception of the restructuring of the “Labour sponsored” Venture Capital Program (Saskatchewan Finance 1993).<sup>54</sup>

Renegotiation of the terms of the NewGrade oil upgrader and the sale of Crown Life Insurance to the Haro Corporation followed, the position of Cabinet being that the terms of the original proposals were too costly for government. With respect to NewGrade, the province relinquished some of CIC’s equity share to its partner Federated Co-ops, whereas the \$355 million loan guarantee offered to Haro was renegotiated as a \$275 million repayable loan.<sup>55</sup> In 1994, SEDCO was dissolved and replaced with the Saskatchewan Opportunities Corporation (SOCO) whose mandate was designed to be much more limited in both scope and resources than that of SEDCO. Though SOCO’s mandate was to focus on Saskatchewan businesses that catered to the export market (Saskatchewan Finance 1994: 10), industrial policy solutions were essentially out of the question, according to Romanow, due to the fact that sectoral policy was no longer a means to revenue generation since the most profitable sectors had been handed over to private interests.<sup>56</sup> Policies, the likes of which were used to entice Vanguard RV to

<sup>54</sup> Finance Minister, Janice MacKinnon (1993) cites “the main economic levers” as being interest and exchange rate policy, and banking and trade policy, conceding that control of these levers “rest[s] with Ottawa.” Mackinnon goes on, “government is raising its voice on behalf of Saskatchewan people in a call for a new national approach to economic development” arguing that “action has to begin at the national level” (ibid). In terms of provincial policy, small businesses and co-ops were singled out in the 1993 budget, promising new tax instruments to create a favourable climate for investment and growth. Regional Economic Development Authorities were also set up in 1993 with a budget of \$1 million to create opportunities at the community level. Although the strategy employed by Romanow closely approximated that of Devine, Tompkins (2008: 325-326) notes that the size of loan guarantees was scaled back by the NDP in favour of complimentary decreases in taxes and royalties from established PC levels. Brown et al (1999: 60-61) note that the Romanow NDP consolidated the process of privatisation undertaken by the Conservatives by selling the remaining government shares of the PCS, SaskOil, Cameco (formerly SMDC), and the heavy oil upgraders at Regina and Lloydminster. The Romanow NDP also removed foreign ownership restrictions on privatised crowns that were introduced under Devine.

<sup>55</sup> See, for example, the Debates and Proceedings of the Legislative Assembly for 9 June 1993 and 15 March 1995.

<sup>56</sup> On this point, Romanow (2012) contends that “you couldn’t pull out of a sector and hope to put your fiscal house into order. The only things that would count are those things that would get you big money. What are those? Potash—privatised. Oil, natural gas—privatised. Uranium—privatised, And by the way, when a government privatises, what you do is you lower the value of the shares so that when they go on the market, they are bought up immediately and you lose money on that. And then when you take over the debt of the crown corporation and put it onto your yearly operating budget, which is what happened with most of the crown corporations during the Devine period, you leave the crown corporations clean as a whistle—the investor gets it cheaply, the debt is very minimal if it exists at all and the corporation is guaranteed its success. You, as a government, are limited to your tools of taxing and regulating, which by this point has been restored because of section 92A.”

relocate from Kelowna British Columbia to North Battleford in 1987, were in any case off the table owing to the terms of the AIT. A sizable investment in the beef industry was nevertheless undertaken through SOCO, including \$1.4 million in export market development in 1994 as part of the *Agriculture 2000* program (Saskatchewan Finance 1994).<sup>57</sup>

The issue of structural deficits was resolved by the end of 1994, though this process involved consolidating paradigm shift by finalising the sale of resource crowns. The Romanow administration, however, also moved to institutionalise the existent paradigmatic balance against future attack on the crowns that remained (Saskatchewan CIC 1997). The NDP under Romanow and (later) Calvert opted to expand viable crowns to compete globally (McGrane 2008: 148). On this note it is worth mentioning that, while the differences between the economic strategies of Romanow and Calvert were minimal and confined to first and second order alterations to instrument mixes within an otherwise stable synthetic paradigm, the Calvert government led the charge to have the protection of crowns institutionalised at the legislative level.<sup>58</sup>

Table 8 summarises the processes involved in consolidating the paradigm shift that began in 1986.

<sup>57</sup> The 1994 budget also allocated \$4 million to northern economic development.

<sup>58</sup> While Romanow made, for example, more habitual use of tax incentives to attract industry, Calvert made more use of direct cash grants (see Tompkins 2008). The 2004 Crown Corporations Public Ownership Act stipulates that future privatisation schemes must be researched and approved at the behest of the Legislative Assembly and may only take effect after an election (Saskatchewan 2004). Despite continued debate outside of government on the viability of Saskatchewan's crowns, Premier Wall of the Saskatchewan Party has supported the Act and promised not to privatise any crown corporations during the party's tenure (see Gunter 2007; Wood 2004; 2008). As of 2008 the role of the crowns was, however, rolled back from the 1997 framework and limited to investments within the geographical borders of the province (Heavin 2008).

**Table 8. Ordinal Change Processes in Saskatchewan, 1992-1995**

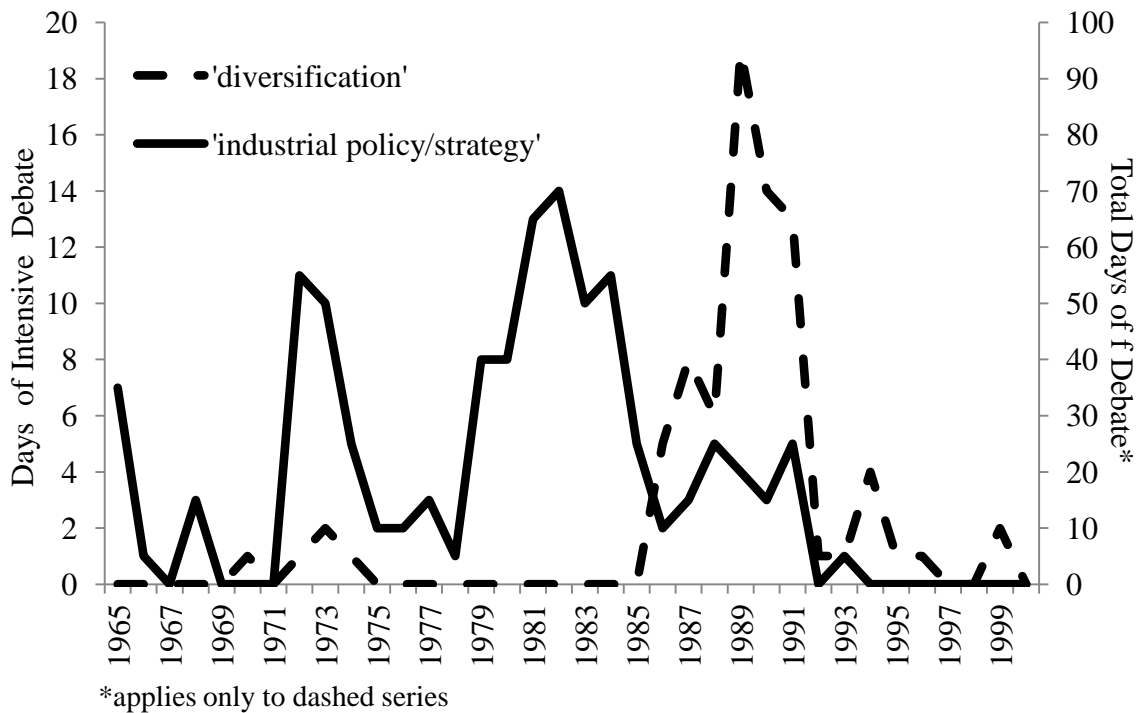
<u>Date</u>	<u>Orders of Change Debated</u>	<u>Orders of Change Formulated</u>	<u>Orders of Change Implemented</u>	<u>Paradigm</u>	<u>Epoch</u>
1992 - 1993	1 <sup>st</sup> (taxes, royalties; crowns) 2 <sup>nd</sup> (CIC/ SEDCO restructuring) 4 <sup>th</sup> (PIP)	1 <sup>st</sup> (taxes, royalties; crowns) 2 <sup>nd</sup> (CIC/ SEDCO restructuring)	1 <sup>st</sup> (royalty restructuring; crown investments curtailed; tax phase outs; venture capital restructuring renegotiation of Sask Forest Products, Haro & NewGrade) 2 <sup>nd</sup> (CIC/SEDCO restructuring) 4 <sup>th</sup> (PIP—diversification no longer an official goal)	PIP	Post-IP new-staples
1994 - 1995	2 <sup>nd</sup> (crown privatisations) 3 <sup>rd</sup> (meatpacking)	2 <sup>nd</sup> (SOCO) 3 <sup>rd</sup> (meatpacking)	2 <sup>nd</sup> (SOCO; crown privatisations) 3 <sup>rd</sup> (meatpacking)	PIP (ad hoc IP)	Post-staples ELI

Institutionalised change during the Romanow years was secured by way of two processes. The first was a shift in the locus of authoritative gatekeepers to the Ministry of Finance and the Office of the Premier as a consequence of the Gass Commission report on the status of the economy. Following the 1992 budget, the Romanow executive had a degree of sanction to reorient the economy that placed it in a position of paradigmatic dominance. This is not to say that advocates of the old paradigm did not exist within the party, government and society. On the contrary, opinion on matters of the economy had entered a three way contest when the Romanow NDP came to office between those advocating a Blakeney style paradigm, those advocating a Devine style paradigm, and what was to become the dominant governing programme.

#### **4.4. Taking Stock of Long-run Ideational change in Saskatchewan**

The crux of the processual argument made in this chapter is captured succinctly by the saliency of paradigmatic issues in the Saskatchewan legislature. Figure 12 shows how the saliency of paradigmatic anomalies produced a distinct pattern over the timeframe.

**Figure 12. Issue Salience in the Saskatchewan Legislature— Paradigmatic Terms**



The issue saliency of industrial policy is shown to come to a head in 1972 and 1973 when the Blakeney government was instituting its post-staples and new-staples industrial strategies. During the NDP’s attempted expansion into uranium processing and in the lead up to the 1982 election, political debate on Saskatchewan’s industrial policy once again came to the fore. As evidenced in Figure 12, the IP paradigm entered a state of limbo in 1986 due to the programmatic vacuum created by the transition from a statist to liberal IP epoch (recall Figures 10 and 11). The emergence of liberal industrial policy and the post-staples epoch in the Tory’s second term is distinguished by the saliency of the preferred phrase of the day, “diversification”, whose popular usage coincided with the withering of the language of statist IP.<sup>59</sup> The years between 1989 and 1991 mark the

<sup>59</sup> Grant Schmidt summarised the (perceived) differences between Tory liberal IP and NDP statist IP in the House in 1987: “A third element of what this government is trying to do in this budget is diversification. And this is a very nasty word to the members opposite. It is something that they don’t like because diversification goes against the grain of socialism, and socialism only allows for one kind of business and that is government business. So therefore they don’t like upgraders, they don’t like electric cable plants in Moose Jaw, and they don’t like bacon plants, they don’t like paper plants, they don’t like recreational vehicle plants, because none of these are owned by the government. But this government is working hard

climax of paradigmatic debate that cumulated in the demise of industrial policy in Saskatchewan. Industrial policy, along with diversification, consequently received scarce mention in the legislature for the next decade.

To say that economic governance in Saskatchewan underwent wholesale paradigm replacement in the 1990s would nevertheless be erroneous. The longevity of the instruments of economic development and diversification that defined the activist industrial policy paradigm is an indication that paradigms have rather become hybridised (see Figure 10). What paradigm shift has occurred speaks to the emergence of a middle-ground approach between the polar extremes of paradigmatic institutionalisation. The crown-led diversification strategy that was formally institutionalised by the Blakeney government in the “Saskatchewan family of crown corporations” constitutes one such approach to governance that still enjoys many adherents within and outside of government. Similarly, the laissez faire approach of which Devine was only a partial adherent continues to attract proponents from every area of the policy community (cf. Kay 2007).

Interestingly, and undoubtedly a result of the pressing matters of the day, the Romanow government instituted a reorientation of goals without a full reorganisation of the machinery to secure them. The middle ground approach thus emphasises crown ownership of profitable enterprises, yet emphasises efficiency to an extent that serves to eliminate the more activist paradigm as unviable owing to its perceived risks. In this sense, the fact that crowns that exhibited limited financial prospects (or were no longer able to be adequately controlled in the case of semi-privatised enterprises) were permitted to fall by the wayside is an indication that something substantial had changed by the early 1990s. As Morici et al (1982: 57) point out, the creation and maintenance of crown corporations constitutes “an element of industrial policy only when it is undertaken to establish, maintain or accelerate the growth of a particular industry and/or support the incomes of particular labour-force groups or regions.” According to this definition, despite the continued presence of crown corporations, their use (or perceived use) as

towards diversification...” (Debates and Proceedings of the Legislative Assembly of Saskatchewan, 23 June 1987).

instruments of industrial policy is at best secondary to the paradigmatically dominant goal of net revenue generation for purposes other than industrial diversification.

Did the proponents of policy change in Saskatchewan have a material stake in their ideational alignment? Howlett (1994: 642) points out, “in the policy world... the returns to individuals often run in the direction opposite to those in scientific communities, with conformity rather than iconoclastic behaviour reaping the rewards.” The two most salient examples of solutions-oriented learning in the case examined indicate substantial the perception of substantial risk on the part of decision-makers. Despite a proclivity for economic intervention within the NDP Caucus, the Blakeney government was hesitant to embark upon a full-fledged industrial strategy until its election to a second term in office. The (behind-the-scenes) existence of what was only an ill-articulated and abstract IP programme during Blakeney’s first term adds credence to the notion that it was not in Blakeney’s material (or electoral) interest to embark on economic adventurism. As Deputy Premier to Blakeney, Row Romanow (2012) recalls, “we knew the politics of nationalisation would be very difficult.” By the time Romanow came to power in 1991, there was similarly little electoral incentive to engage in the reforms recommended by the Gass Commission. Political circumstances therefore provided the basis, according to participants, for endogenous learning whether considering the establishment of the IP paradigm or its dismantling.



## **5. The Politics of Anomalies and the Role of Discourse Analysis in Understanding Policy Change**

Hall's emphasis on the importance of ideas in processes of policy-oriented learning was not the product of a priori bias against rationalist or institution-based explanations for policy change. It was rather a conclusion arrived at after coming to the understanding that actors and institutions can be resistant to influence (both endogenous and exogenous) but are by no means impervious to change (see Hall 1986; 1989). After years of studying comparative political economy, Hall (1990; 1993) concluded that the mechanisms affecting both policy change and continuity had a great deal to do with social learning. Building upon Hall's work on ideas and political economy, the purposes of this thesis have been three.

This thesis has first aimed to build upon Hall's concept of ordered change by differentiating between abstract goals and programmatic objectives (see Howlett & Cashore 2007; 2009). Aside from programmatic objectives being easily delineable (thereby clarifying the inferential linkages between policy means and ends) a more nuanced understanding of change that falls short of being paradigmatic is essential for properly measuring the degree of major change. Without a four order framework, making sense of paradigm change in Saskatchewan would be methodologically impossible while paradoxically prone to the discovery of paradigmatic change where the story is in fact much more complex. Along with the realisation that a hard conceptualisation of paradigms is typically inappropriate for the policy sciences (see Section 2.1), a four order framework allows for the critical differentiation between paradigmatic *shift* and paradigmatic *replacement* without resorting to the theoretical inconsistency of "partial" replacement (cf. Oliver & Pemberton 2004; Capano 2003; Ladi 2012).

The second aim of this thesis has been to build upon the notion of policy iterations between orders of experimentation. Though the theory of policy paradigms was

originally devised to account for a straightforward sequence of success and failure (Hall 1990; see Figure 1), this thesis has devoted considerable attention to expanding upon the possible directions that policies may take according to the terms of dependent variable disaggregation. The development of a more elaborated and inclusive iterative framework has led to two important insights. First, it was shown in Chapter 2 how backward iterations allow for a fuller array of possibilities than accounted for by Oliver and Pemberton (2004; see Figure 3). The concept of forward iterations toward higher orders of policy change was then introduced and shown to be increasingly common after a number of iterative rounds. Such a process admittedly yields a general hypothesis about the roots of paradigmatic change that is much less precisely predictable than the hypotheses formulated by either Hall or Oliver and Pemberton on the matter (cf. Howlett 1994).

Given the inadequate lucidity of causal processes in the paradigms literature, the third purpose of this thesis has been to develop a theory of policy formulation based on the interpretation and contestation of policy anomalies. Since the ordered and iterative frameworks developed by Hall and Oliver and Pemberton are suggestive of an ideational evolution in the understanding of particular policy problems, it is appropriate that the causal driver of policy change be ideational. Hall, like Kuhn before him, was emphatic that a theory's acceptance by a critical mass of professionals constitutes the kernel of paradigmatic change, thereby bringing discourse to the fore of the theory of policy paradigms (see Kuhn 1970). Yet the processes of acceptance or dismissal have so far been given little theoretical attention aside from the observation made by both Kuhn (1962: 15) and Hall (1990: 61) that such processes are much more sociological than they are scientific (cf. Hernes 1976). Since most policy decisions deal with the unknown (deLeon 1992; Conklin 2006; Levin et al 2012; Van Bueren et al 2003), policy formulation is a business concerned primarily with policy-oriented learning (see Etheredge & Short 1983; Rose 1991; Hall 1990; 1993).

The case study examined in the preceding chapter has satisfied these aims to a large extent, demonstrating that a four order multi-iterative framework is necessary to keep an adequate inventory of policy change as it has occurred in the context of industrial policy formulation in Saskatchewan. In terms of theory development and testing, while

much more work remains to be done, this case has shone considerable light on areas where the theory of policy anomalies may be expanded.

## **5.1. Moving the Analytical Programme Forward**

Using a soft conception of ideational paradigms and keeping in mind the institutional contexts that define the consolidation process, taking stock of the degree of paradigmatic change is not only possible but is conceptually operable. Paradigmatic equilibria whereby paradigms are in competition can be explained according to the logic of the theory as arising out of disagreement and discord on the meaning of ontological links between programmatic objectives and abstract goals. Again, a four order framework clears up issues that manifest as a consequence of “sloppy” definition of ideational variables (Berman 2013: 224) and is essential to understanding how governments come to operate under conditions of paradigmatic contest or paradigmatic synthesis. Under such circumstances, the same policies may be interpreted by relevant actors as satisfying different and even contradictory goals. In this sense, the concept of inferential links between goals and objectives can provide insights into the processes leading to institutional transformation (Mahoney 2000) and policy conversion, layering, and drift (see Béland 2007), especially in instances where the locus or authority of paradigmatic gatekeepers has shifted.

Although the solutions-oriented theory developed in this thesis has abandoned strict axioms concerning outside influence, there is sufficient indication that exogenous prompts figure heavily into the story of industrial policy formulation in the Canadian prairies. At minimum, exogenous developments can be said to factor into the equation by way of what Blyth (2003: 659) calls “guilt by association.” Hall’s conceptualisation of paradigm change hinged on the notion that paradigms lie predominantly in the realm of “puzzling” until they become the subject of contest and traverse into the sphere of “powering” (Hall 1993: 289). While this and other hypotheses concerning “risky schemes” (Baumgartner et al 2009) are affirmed by the case study in some instances, the picture is considerably more nuanced. Abstract-level learning preceded exogenous shock and even the election of the Blakeney government in 1971 (cf. Keeler 1993). The initial conditions in the Saskatchewan case were thus defined by NDP frustration with the level

of industrial development while in Opposition; a view shared by many Canadian economic nationalists both within and outside of government at the time (see Levitt 1970). The attitudes that yielded the IP paradigm in Saskatchewan can therefore be considered a product of social learning that occurred in the absence of any clearly defined exogenous event. Exogenous phenomena are therefore better conceptualised as prompts that are typically preceded by, rather than themselves acting to stimulate, endogenous learning. Since endogenous learning is generally a process that begins with abstract level specification yielding finer granulation during formulation, highly abstract policy plans may at times require activation in the form of focusing events, which in turn evoke more refined or crisis-specific learning toward a highly specified policy product (see Regan 1993).

Though Jones & Baumgartner (2012: 7) acknowledge that a policy problem often “festers ‘below the radar’ until a scandal or crisis erupts”, prompting policymakers to then “claim ‘nobody could have known’ about the ‘surprise’ intervention of exogenous forces”, Prindle (2012: 37) is correct in his assertion that the Punctuated Equilibrium Framework “ha[s] never frontally addressed the issue of how such a model can translate human choices into mechanical outcomes.” That is, while the PEF is sensitive to the role of actors and ideas as agents of policy change, the framework has yet to bridge the gap between policy problems’ attention-worthiness and specific types of policy change beyond making the positive claim that focusing events that are “extraordinarily strong” or enduring enough to overcome institutionalised friction will almost invariably yield major change (Jones & Baumgartner 2012: 8). On this point, Worsham and Stores (2012) find that in the process of ideational galvanisation, subsystemic actors may actively resist engaging in spill-over type learning when exogenous signals are particularly strong.

The institutional context under which endogenous learning takes place is essential to understanding the processes by which finer granulation, coupling (Kingdon 1995), conversion (Thelen 2009) and drift occur (Hacker 2005; see Skocpol 1992; Skogstad 2005; Blyth 2013: 198-199). That it is not just the substance of ideas that is important but also the positioning of its advocates indicates that there is a need to draw ideational and network elements into a more inclusive theory. A theoretical basis concerned with policy-oriented learning whereby other contextual variables are said to shape the learning

outcomes is one way to do this (Lynch 1991; Elster 1998; Schmidt & Radaelli 2004). Why might a learning framework be more advantageous than grounding theories in the contextual elements themselves, as rational choice and the Institutional Analysis and Design (IAD) framework have sought to do? Ideas are substantive conceptualisations of policy solutions that link policy problems to policy products in reasonably direct ways. While actor's interests and institutions are important contextual factors that shape the dependent variable (anomaly classification) and the processes leading to decision-making, their analysis alone cannot provide an adequate substitute for a solutions-oriented framework.<sup>60</sup>

For their part, Discursive Institutionalism (DI), the ACF, and PEF are amenable to the general framework introduced in this thesis. These frameworks differ amongst themselves, however, in their emphasis of specific necessary and sufficient conditions. The ACF is the most conceptually similar framework to the iterative theory developed by Hall and Oliver and Pemberton, and is one that has been cited as complimentary to both RI (see Dowding 1995) and IAD (see Schlager 1995; Real-Dato 2009). While the PEF has borrowed heavily from the Multiple Streams Framework (MS) (Kingdon 1984) and the ACF (Sabatier 1988) since its original conceptualisation (see Baumgartner & Jones 1993), it is only recently that serious steps have been taken to incorporate Hall's

<sup>60</sup> As a means to assess the relative influence of dependent variables, Allison (1971) advocated that researchers catalogue a perspective's strengths and weaknesses against competing "lenses." Allison sought to demonstrate that, while virtually no theory or framework may be capable of explaining all observations satisfactorily, certain theories and frameworks will be capable of explaining considerably more in some contexts than competing perspectives. Zahariadis (1998) takes one such inventory of theories of the policy process, comparing the Advocacy Coalition Framework (ACF), Rational Choice Institutionalism (RI), and the Multiple Streams Framework (MS). Zahariadis (1998: 436) concludes that RI analysis is best suited to conditions whereby actor preferences are unambiguous and the governing environment is stable; the ACF is best suited to analysis under conditions whereby coalition preferences are unambiguous and the governing environment is unstable; and the MS approach is best suited to describe political behaviour and outcomes under circumstances in which neither preferences nor the governing environment is stable. Zahariadis (ibid) admits, however, that "it is unclear which lens is appropriate when preferences are ambiguous but environments are stable." The implication is that RI and ACF style powering typically occurs when there is little puzzling to be done owing to the salience of actor preferences and the monopoly position of dominant coalitions. One is left to ponder, however, how often it is that preferences can be considered stable over time. While this may be the case in many policy fields, it is likely that conditions of ambiguity under stable environments define most areas suitable to paradigmatic analysis. As deLeon (1992) and Dror (1983) point out, in policy areas most conducive to "wicked problems" (and, thus, paradigmatic belief structures), "fuzzy gambling" tends to obscure actor preferences. A theory concerned with policy-oriented learning under stable conditions is therefore a welcome but as yet poorly articulated addition to mainstream theories of the policy process.

conception of paradigms into more mainstream frameworks.<sup>61</sup> It is likely, however, that attempts at integrating the frameworks will meet with only mixed success until theories of the policy process become sufficiently endogenised in their core hypotheses. While there is some indication that this is taking place (Sabatier & Weible 2007; Jones & Baumgartner 2005) greater attention to discourse analysis appears to be the most appropriate method for theoretically accounting for internal processes (see Schmidt 2010; 2002).

Reconciling mainstream theories of the policy process with institutional determinants via attention to discursive indicators is one way of surmounting the lack of predictive premises within the Advocacy Coalition and Punctuated Equilibrium frameworks. Adding institutional context to the ACF and PEF by way of conceptual merger with the Institutional Analysis and Design (IAD) framework has been suggested previously (Schlager 2007; Real-Dato 2009; Dowding 1995), though more contextual specification of the limits and opportunities governing actors' behaviour does little to explain the impetus behind such behaviour (see Béland & Hacker 2004). The ACF alone, for example, posits simply that coalitions will aggregate according to belief structures and, from there, advocate for policies borne out of shared ontological positions (Sabatier 1988; 1998; Sabatier & Weible 2007). This says nothing about the processes leading to coalitions' formulation of highly specified policy proposals. With respect to the PEF, while contested interpretation of policy problems is implied in the notion of image framing (Baumgartner & Jones 1991; 1993), the epistemological processes of rendering image frames convincing to the requisite parties remains theoretically underdeveloped.

One would expect that such a close relationship between ideas and institutional contexts would easily lead researchers to a processual theory of formulation, whereby subsystemic actors and coalitions vie to influence policy outcomes in a vein similar to Cohen, March and Olsen's Garbage Can Model (GBM) of organisational choice (Cohen et al 1972). While this has been attempted for agenda setting processes (Kingdon 1984; 1995) and translated into the contemporary Multiple Streams (MS) approach (Zahariadis

<sup>61</sup> Baumgartner (2013: 240) states, for example, that "although we talk of positive feedback mechanisms, cascades, and image-venue interactions and not of paradigm shifts, the underlying concepts and mechanisms are remarkably similar."

2007), the processes of formulation endemic to the original GBM conceptualisation have received scarce acknowledgement in the subsequent policy literature. For its part, the Hallsian conception of paradigms is not amenable to a combinative theory of formulation due to its integration of Kuhn's incommensurability thesis and the resultant claims as to incompatibility of paradigmatic goals. That said, the garbage can-like interim between coalitions' pure conceptualisation of policy alternatives and authoritative decision-making has led Béland (2007; 2009: 713) to advocate for the development of an ideational conception of drift (cf. Hacker 2005).

### **5.1.1. *Analytic Challenges***

The gravest analytical challenge to reconciling a learning-oriented framework with other theories of the policy process lies in their epistemological differences, their emphasis on different aspects of political behaviour and their focus on different elements of the policy process. In so far as researchers are interested in accounting for both wholesale and incremental change, taxonomies capable of sufficiently accommodating actors, ideas, and institutions should be welcome additions to the literature. Particularities in terms of how actors, ideas and institutions have been treated by those who focus upon these aspects of political decision-making, however, impose major obstacles to be overcome in the pursuit of an all-encompassing theory of policy formulation.

On the one hand, critics of the premises advanced in this thesis may claim that the processes described in the four order iterative framework are too rationalistic. That is, theorists accustomed to "thick" constructivist analysis (Jupille et al 2003) will likely find the solutions-oriented basis of the framework problematic, perhaps arguing that ideological considerations restrict social learning to the point of inconsequence (see Ruggie 1998). On the other hand, the social processes involved in anomaly definition, interpretation and contestation may be too sociological for more rational choice oriented theorists to accept. Paradoxically, adherents of both ontological schools can be expected to take issue with the anomalies framework for "writing off" institutions as mere contextual variables influencing learning processes. While the theory presented here has done little to discount the role played by institutions, the structure institutional factors

bring to both SI and RI analysis suggests that a reconceptualisation of causal variables in these frameworks will not be forthcoming in the near term.

Like any historical institutionalist analysis, convincing political scientists of the theoretical utility of the anomalies concept will require overcoming criticism that the approach is far too historical or, barring that, too multidisciplinary. Small-N case analysis is not sufficiently convincing for many in the field, nor is the relevance of historical processes and events particularly apparent. The ostensible inability of RI and SI to adequately account for endogenous change should, however, be cause for analytical concern. With respect to RI, policy change and continuity as determined by institutionally derived equilibrium says nothing about the possibility for change in institutionally stable settings (see North 1990; Shepsle 1989; Garrett & Weingast 1993). The fixation on exogenous sources of change in the sociological literature has meanwhile progressed to the point that no theory of endogenous change currently enjoys mainstream status (Weible et al 2011; Jones & Baumgartner 2012). While the case evidence presented in this thesis has reinforced assumptions about exogeneity, the inability of conventional frameworks to account for either the endogenous learning processes that precede exogenous shocks or the processes that follow as a consequence of them indicates that causal processes remain vague and are in need of elucidation (Prindle 2012: 37).

## **5.2. Conclusion**

This thesis has demonstrated the explanatory value discourse analysis can bring to the study of the policy process (see Schmidt 2011). Discourse analysis has been fruitfully applied to the study of ideational paradigms in an effort to flesh out the connections between actors' ideas and policymaking (cf. Lowi 1964). In the course of doing this, the understanding of the impact that institutional factors have on processes of policy-oriented learning has been refined. The argument presented concerning institutions as important contextual factors has been two dimensional. Operationalising the influence and impact of institutions requires that we understand that it is actors' interpretation of institutional rules that are of most significance, on the one hand, while keeping in mind that it is actors' discursive use of institutional rules that renders institutions consequential, on the other (Zittoun 2009). In this sense, discourse analysis has the potential to act as



methodological glue binding together causal variables having to do with actors, institutions, timing, and place. This admittedly leaves it up to researchers to draw reasonable conclusions based on the content of and context under which discourse takes place. While some may find that some subsystemic discourse is constrained to the point of being bereft of evidence, such observations at least yield hints as to what lenses of analysis may be appropriate under the circumstances (cf. Allison 1971).

While many political scientists accustomed to large-N regression analysis may doubt the explanatory value of a research programme inclined to  $n=1$  or  $n=2$  analyses, the number of observations in discursive analysis need not be small (see Henry 2011; Jones et al 1998; Travis & Zahariadis 2002; Jacobs 2011; John & Bevan 2012). The analytical meaning and added accuracy that can be gained from integrating qualitative design with quantitative analysis is moreover well established (King et al 2001; Mahoney & Goertz 2006). According to many scholars it is no longer enough to treat ideas as a rationalist given (see Blyth 2003; Jacobs 2009), nor is it adequate to treat ideology as a priori deterministic to the neglect of government and social learning processes. The case evidence presented in this thesis has made the latter point sufficiently.

Though it has been stressed for well over a decade that room for synthesis exists between cultural and calculus (rationalist) approaches to new institutional analysis (Hall & Taylor 1996: 956), relaxation of strict theoretical axioms are due on both sides where the evidence suggests that central premises no longer hold up to scrutiny. The method for embracing a more drilled down micro-level of analysis suggested here calls primarily for greater attention to discourse. While discourse analysis is by no means perfect, the framework introduced in this thesis provides one way of testing the theoretical postulates of competing theories of the policy process. Treating the linear framework toward paradigmatic change introduced in Chapter 2 as a null hypothesis is a useful heuristic onto which researchers operating in various traditions may transpose and test their theoretical assumptions (see Figure 4). That said, in so far as we accept that the perception of policy anomalies figures into any part of the equation it will be hard to ignore the role of discourse and ideas in the policy process.

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