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A Discursive Institutionalist Approach to Understanding Policy Change: Ireland and Mexico in the 1980s

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A discursive institutionalist approach to understanding policy change: Ireland and Mexico in the 1980s

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ABSTRACT

Employing the critical juncture theory (CJT), a discursive institutionalist approach, this paper examines the nature of the changes to Irish industrial policy, and Mexican macroeconomic policy, during early the 1980s, a time when both countries went through economic crises. Did these policy changes constitute transformations, or were they simply continuations of previously established policy pathways? The CJT consists of three elements – economic crisis, ideational change, and the nature of the policy change – that must be identified for us to be able to declare with some certainty if the policy changes constituted critical junctures. Our findings will help explain why Irish industrial policy did not undergo a radical transformation during the 1980s, while Mexican macroeconomic policy underwent major change in that decade.

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Keywords: Crisis; critical juncture; ideas; industrial; economic, policy.

INTRODUCTION

During the second half of the 1970s the Irish and Mexican economies performed relatively well. Ireland recovered from the effect of the first oil shock, while Mexico discovered oil and spent large sums on state enterprises. However, within a few short years circumstances in both countries had changed, leading to questioning of extant industrial policy in Ireland and macroeconomic policy in Mexico.

Sudden policy discontinuities are often attributed to, in a straightforward cause and effect manner, economic crises. Yet, crises are often followed by policy continuity. Thus, it is important to acknowledge that policy change is a complex process and that to understand it we need to take account of political circumstances, and recognise that economic crises are a necessary, but insufficient, condition for policy change.

We use the CJT to investigate this issue. According to Hogan (2006) a critical juncture is a multi stage event that sets a process of policy change in motion. A crisis can create a situation where extant policies and associated ideas are called into question. Any subsequent displacement of the extant paradigm by a new set of ideas on how policy should operate can lead to radical policy change. But, without ideational change, policy change will likely be minor – the hierarchy of goals underpinning a policy will remain unaltered and extant policy will soldier on.

COUNTRIES SELECTED FOR EXAMINATION

Ireland and Mexico, during the 1980s, are interesting cases. That decade saw both countries' economies stagnate, forcing them to ask searching questions of extant policies. Irish industrial policy, reliant on foreign direct investment (FDI) as a stimulus for growth and skills transfer (Girvin 1994, 125), was questioned as the economy slowed and unemployment rose. Mexico still had import substitution policies in place (Panizza 2005), something abandoned in Ireland in the 1950s. In the midst of an international oil glut, the Mexican economy was straining under the challenge of supporting government commitments assumed in the 1970s following the discovery of oil. In both countries there was questioning of past decisions and uncertainty.

In addition to having reached crossroads in their development, both countries were selected using a most-similar and most-different case selection, in an effort to ensure that the states, although in respects similar, providing comparable data, are sufficiently different to permit contrasting findings (Gerring 2007). The selection requirements for “most similar” are that both countries are democracies and advanced capitalist states. While we are examining industrial policy change in Ireland and macroeconomic policy change in Mexico, both cases constitute policy-making at national level. The case studies’ similarities ensure ‘the contexts of analysis are analytically equivalent, at least to a significant degree’ (Collier 1997, 4).

They are most different in that Ireland is a unitary parliamentary republic whereas Mexico is a federal presidential republic, their economies are very different – Mexico has the one of the largest economy in the world while Ireland’s relatively small – and their performances, and the policies governing them, varied dramatically. Mexico’s population is over 25 times that of Ireland.

THE CRITICAL JUNCTURE LITERATURE

Critical junctures result in the adoption of a particular arrangement from among alternatives. Thereafter, the pathway established funnels units in that direction (Mahoney 2003, 53). For some, a critical juncture constitutes an extended period of reorientation (Collier and Collier 1991; Mahoney 2003), while for others, it is a brief period when one direction, or another, is taken (Garrett and Lange 1995; Hogan 2006). However, the literature is inconsistent in how it differentiates critical junctures from other forms of policy change. Also, the literature often examines critical junctures from the perspective of crises (exogenous shocks), emphasizing the tensions that precede the important events that set policy change in motion. Hogan (2006) sought to resolve these issues by setting out a revised CJT.

According to Hogan and Cavatorta (2013), a critical juncture consists of discreet, but interconnected elements: crisis, ideational change (extant ideational collapse, new ideational consolidation) and radical policy change. Thus, CJT uses ideas in a form of "discursive institutionalism" to overcome the limitations of historical institutionalism in explaining policy change (Schmidt 2008; 2010). Discursive institutions are not rule following structures of the older institutionalisms that serve as restraints on actors, but are internal to agents as constraining structures and enabling constructs of meaning (Schmidt 2010). Hogan and Cavatorta (2013) argue that, in the wake of a crisis, outside influencers (public, media, NGOs etc), policy entrepreneurs (civil servants, technocrats, academics, economists, interest groups) and political entrepreneurs (elected politicians) act, in the words of Kleistra and Mayer (2001), as either carriers, or barriers, to policy change. Discursive interaction (exchange of ideas) between these policy elites and the general public generates the alternative ideas that may lead to collective action (Schmidt 2008). The attention to entrepreneurial agency, and to the role of discourse, constitutes an effort to 'endogenize' policy change (Schmidt 2010) – making the exogenous shocks, so important to historical institutionalism, less significant.

Using the CJT to examine the nature of industrial policy change in Ireland and macroeconomic policy change in Mexico during the 1980s involves using observable implications to test for a crisis, ideational change and the nature of the policy change. The stronger the evidence supports the observables, the greater the indication that a critical juncture occurred. The framework (set out below) has been used to study a variety of policy topics including changing trade union influence on public policy and economic policy change in nondemocratic states (see Hogan 2006; Hogan and Cavatorta 2013).

APPLYING CJT

Testing for a Crisis

A crisis implies extant policies are failing to address a problem (Boin, Hart, Stern, & Sundelius 2005) and as a result can unleash powerful forces for change (Haggard 2003). Economic crises are more common in modern democracies than wars or revolutions. Hogan and Cavatorta's (2013) CJT, recognising that identifying a macro-economic crisis is difficult, involving subjective and objective deliberations, uses 12 encompassing observable implications that draw upon currency crisis, recession and policy reform work of Garuba (2006), Kaminsky, Reinhart, and Végh (2003), Pei & Adesnik (2000, 139) and Yu, Lai, & Wang (2006, 439). These observables identify changes in nominal economic performance and perceptions of economic health (See Appendix A).

Testing for Ideational Change

Ideational change can result in a transformed policy environment, but understanding how ideas influence policy is challenging. The failure of extant policies to resolve a crisis provides a window of opportunity for change agents to contest the viability of the underlying paradigm (Kingdon 1995). These agents can gain power for their ideas by setting the agenda for reform in the policy sphere (Schmidt 2010).

To understand how ideas underlying failing policies are sometimes replaced, resulting in radical policy change, whereas at other times they are merely altered, resulting in minor policy change, Donnelly and Hogan (2012), drawing on Legro (2000), Kingdon (1995), Dahl (1963) and Hogan and Feeney (2012), argue that significant policy change depends upon a range of change agents (outside influencers and policy entrepreneurs) perceiving the extant paradigm as inadequate (collapse) and coalescing (consolidation) around a set of new ideas, championed by a political entrepreneur. Political entrepreneurs act as a bridge between coalitions advocating new policy ideas and the institutions implementing them. Thus, once the new policy idea becomes accepted amongst policy entrepreneurs and the political elite a new policy monopoly, and stasis, is instituted (Meijernik 2005). As Blyth (2002, 37) argues, 'ideas facilitate the reduction of … barriers by acting as coalition-building resources among agents who attempt to resolve the crisis.' Ideational change constitutes the intermediating factor between a crisis and policy change. Based on Donnelly and Hogan's (2012) CJT framework, we set out seven observable implications for identifying extant ideational collapse and new ideational consolidation (See Appendix B).

However, 'even when ideational collapse occurs, failure to reach consensus on a replacement could still produce continuity, as society reflexively re-embraces the old orthodoxy' (Legro 2000, 424). Even in the wake of a crisis, policy failure and ideational collapse, there is no guarantee new ideas will become policy. This is because in addition to policy viability, policy ideas must have administrative and political viability (Hall 1989).

Testing for Policy Change

The CJT leads us to expect significant policy change after political entrepreneur-led consolidation around a new idea (ideational change) in the wake of a crisis. Thus, the CJT's final stage employs Hall's (1993) concepts of first, second and their order change to develop observables implications to enable us identify and differentiate, normal and fundamental shifts in policy (See Appendix C). The observables incorporate Hogan's (2006) notions of swift and enduring change. This addresses the problem in policy dynamics of defining and operationalizing the scope and timing of policy change (Howlett 2009). As Capano and Howlett (2009) argue, when a policy is regarded as fundamental it is usually based on a multi-year perspective. These observables enabled the differentiation of policy changes, from minor adjustments, to the setting of policy instruments, to paradigm changes in policy goals (Hall 1993).

Evaluation of the Findings

To evaluate the evidence the finding for each observable implication are evaluated independently by each author and assigned a score to indicate strong (3), medium (2), weak (1) or no support (0). The stronger the inter-coder agreement between the researchers' findings, the more confidence we have. This approach allows for a more nuanced understanding of policy change. As interpretation plays a part in divining meaning from codes, the reporting of findings involves thick description of categories and contexts (Polgar & Thomas 2008, 248). We found inter-coder agreement to be on average very high, and Krippendorff's alphas to be regularly above 0.8, which Krippendorff (2004, 241) deems reliable beyond chance (see Appendix D).

IDENTIFICATION OF MACROECONOMIC CRISIS

The Irish economy in the early 1980s

During the late 1970s the Irish economy performed relatively well, having recovered from the oil crisis. Inflation and unemployment fell, while growth returned (Leddin and Walsh 1998, 26). We can see from Table 1 that real gross domestic product (GDP) averaged 4.5 percent between 1975 and 1979.

In 1977, a new Fianna Fáil government employed expansionary fiscal policy when the economy was growing at an unsustainable rate (OECD 1982, 10). This "dash for growth", led to deterioration in fiscal balances (FitzGerald 2000, 43) and the public sector accounts (OECD 1983, 7). We can see from Table 1 that inflation peaked at 20.4 percent in 1981, while interest rates remained high.

Table 1 – Ireland's main economic indicators

Year	Unemployment %	Inflation %	Interest %	Government Debt to GNP ratio	Growth Rates in Real GDP %	Economic Openness[1]
1974	5.4	17.0	12	55.39	4.2	94.37706
1975	7.3	20.9	10	58.05	2.0	86.44022
1976	9.0	18.0	14.8	62.5	2.1	94.96721
1977	8.8	13.6	6.8	61.4	6.9	102.0045
1978	8.1	7.6	11.9	63.5	6.7	103.7894
1979	7.1	13.2	16.5	70.65	2.4	109.601
1980	7.3	18.2	14.0	71.91	1.9	106.4831
1981	9.9	20.4	16.5	77.45	1.1	105.0999
1982	11.4	17.1	14.0	86.53	-0.7	97.81183
1983	13.6	10.5	12.3	97.60	-1.6	101.7349
1984	15.4	8.6	14	106.28	2.3	112.7388
1985	16.7	5.4	10.3	108.60	0.8	112.172
1986	17.1	3.8	13.3	123.26	-1.1	101.1026
1987	17.7	3.1	9.3	124.07	4.6	104.8707
1988	16.4	2.1	8.0	117.35	4.4	109.5299
1989	15.1	4.1	12.0	106.84	7.0	117.0717

Sources: European Commission (1997); Heston, Summers, and Aten (2002); Leddin and Walsh (1998); Mitchell (1992); United Nations (2014).

As the economy slowed and unemployment and interest rates rose, emigration increased (OECD 1982). In 1981, the balance of payments deficit reached 13 percent of GNP (Central Bank of Ireland 1982, 16). Government spending was so high that the budget for 1981 had been exhausted by midyear. Consequently, almost half of exchequer borrowing for 1981 went to financing the budget deficit (Bacon *et al*. 1986, 6), which stood at 7.3 percent of GNP (Leddin and O'Leary 1995, 167).

The debt to GNP ratio surpassed 100 percent by 1984. In just 4 years the national debt that had taken 57 years to accumulate was doubled (The Irish Times 1981a, 6). Imports and exports fluctuated wildly, reflected in trade openness in Table 1. Only inflation improved after 1981. By 1986, the economy stagnant since 1980, contracted for the third time in five years (see Table 1). An *Irish Independent* poll found a majority of citizens skeptical of the politicians' ability to run the country (O'Regan 1981, 1).

[1] Measured by the trade to GDP ratio. This is acquired by adding the value of imports and exports and dividing by GDP.

By the mid 1980s there was unanimity in the domestic and foreign media concerning the economy. Finlan (1987, 16) writing in *The Irish Times*, described the economy as “on the ropes”. *The Economist* pointed out that by 1987 ‘the people of Ireland were deeply in debt to the outside world, three times as much per head as Mexico’ (*The Economist* 1987, 53). *The Irish Times* (1987a, 10) noted that some economic commentators were even advocating debt repudiation.

While initially boosting the economy, the government's debt-finance plan for rapid development between 1977 and 1980 was a disaster (O'Rourke 2010). Bacon et al. (1986, 1) observed that ‘the first half of the decade of the 1980s, taken as a whole, was a period of appalling economic performance.’ Kennedy and Conniffe (1986, 288) had to conclude ' that Irish economic performance has been the least impressive in Western Europe, perhaps in all Europe'. The Central Bank (1987, 7) foresaw no immediate prospects for improvements in growth or employment, and the OECD (1987, 77). ‘By the mid-1980s a number of acute imbalances confronted the Irish economy’. The Small Firms Association noted steadily declining business confidence (*The Irish Times* 1987b, 6).

After 1982 all political parties agreed on the need to stabilise the debt/GNP ratio (Mjøset 1992, 381). Prime Minister FitzGerald acknowledged that the national debt and interest payments, rising faster than national income, constituted a vicious circle, each year consuming a larger share of taxation (The Irish Times 1987c, 10). Public consensus held that the country was in the midst of a serious financial crisis (Cooney 1987, 1).

The Mexican economy in the early 1980s

From the 1940s, Mexico adopted an import substitution policy (Narula 2002). This decreased the country’s foreign dependence, as demand grew for raw materials. However, the private sector became tariff dependent.

Fiscal and monetary order collapsed under the Echeverria's (1970-1976) administration - a time of falling agricultural exports, rapid population growth, and middle class disillusionment with single party (Institutional Revolutionary Party (PRI)) domination (Narula 2002). Once oil reserves were discovered by Petróleos Mexicanos (PEMEX) in the late 1970s (Calderón-Madrid 1997), there was hope this would stabilise the economy. However, this only circumvented the dangers of immediate crisis, without resolving the structural problems (Nelson 1990, 95).

Table 2 – Mexico's main economic iindicators

Year	Unemployment (%)	Inflation (%)	Interest %	Government Debt/GNP ratio	Growth rates in real GDP	Economic Openness
1974	7.2	23.75	N/A	19.73	5.78	18.98
1975	7.2	15.15	11.9	21.17	5.74	16.5
1976	6.7	15.79	11.8	27.62	4.42	18.35
1977	8.8	29	12.9	39.18	3.38	20.54
1978	6.9	17.45	15.1	35.86	8.96	21.83
1979	5.7	18.17	16.4	32.79	9.69	23.64
1980	4.2	26.36	20.7	30.53	9.22	23.68
1981	4.2	27.93	28.6	32.59	8.77	23.34
1982	6.8	58.92	40.4	53.3	-0.63	25.64
1983	6.9	101.7	56.7	66.53	-4.2	28.42
1984	5.6	65.54	51.1	57.28	3.61	26.95
1985	4.4	57.75	56.1	55.2	2.59	25.74
1986	4.3	86.23	80.9	82.75	-3.75	30.77
1987	3.9	131.8	94.6	82.02	1.86	32.88
1988	3.5	114.16	67.6	56.41	1.25	38.46
1989	2.9	20.01	44.6	43.71	4.2	38.08

Sources: Data Gov (2014); Fleck and Sorrentino (1994); Mitchell (2007), UNdata (2014)

Once a net petroleum exporter, pressure grew for Mexico to expand public spending. Consequently, state ownership in enterprises quadrupled (Calderón-Madrid 1997). Under President Portillo (1976-1982) expenditure outstripped petroleum revenues and an anaemic taxation system, overheating the economy (Solís 1981). As a result, Mexico had to borrow \$78bn. (Alarcon and McKinley 1992). The peso became overvalued as inflation rose, and the competiveness of exports, apart from oil, diminished (McCaughan 1993).

Mexico was extremely vulnerable when oil prices fell in the early 1980s.[2] Compounding matters, PEMEX and the *Secretaría de Programación y Presupuesto* (SPP),

[2] Time Magazine, 22 February, 1982.

declared oil revenues insufficient to revive the economy.[3] Recession in the US reduced demand for Mexican goods, while an increase in interest rates reduced the money supply, and put pressure on Mexico's debt servicing, as US banks had lent the country $25 billion. The servicing of Mexico's debts surpassed its oil revenues (Cornelius 1985, 89). By 1982, as economic confidence waned, Mexicans began converting pesos to dollars.[4] 'Collapsing oil prices and rising international interest rates erased Mexico's prosperity' (Starr 2006, 53). The gravity of the situation came to international attention on August 13, 1982, when:

> The government fired the shot heard around the world, announcing that it could not meet interest payments coming due within the next few days and initiating negotiations for bridge loans and rescheduling agreements with the US Treasury, the IMF, and the private commercial banks (Nelson 1990, 97).

Mexico's economic indicators pointed towards crisis (Dornbusch and Edwards 1991). GDP contracted by 0.6 percent in 1982 and 4.2 percent in 1983, while the inflation reached 58.92 percent in 1982 (Katz 1994). Output fell,[5] real unemployment jumped towards 15 percent,[6] while more than 20 million people, half the workforce, were underemployed (Cornelius 1985, 92). Compounding matters, US banks stopped lending to Mexican companies as they owed US$600 million in unpaid interest.[7] The budget deficit stood at 16.5 percent of GDP.[8]

According to Edwards (1995, 17) this was the worst crisis to hit Mexico since the Great Depression. *The Third World Magazine*[9], *Gestión y Estrategia*[10], and *Time Magazine*[11]

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[3] *Magazine Nexos, Sociedad, Ciencia y Literatura,*. January, 1982. "De Díaz Mirón a Díaz Serrano".
[4] Time Magazine, 30 August, 1982.
[5] ibid.
[6] ibid, 20 December, 1982.
[7] ibid, 1 January, 1983.
[8] ibid., 20 December, 1982.
[9] The Third World Magazine, October, 1983. *IMF: quick fix- slow poison,*
[10] Gestión y Estrategia, Calderón, Gilberto, July, 1991. *Privatización de la Banca en México*.
[11] Time Magazine, 15 July, 1987. 'Last Bow of the Inflation Tamer'.

referred to Mexico's difficulties as a crisis. Minimum wages were insufficient to meet the needs of most citizens (Lustig 1986). Opinion polls found great scepticism concerning the economy (Basañez 1985).

During 1982 the peso was devaluated twice to increase exports (Katz 1994). New short term loans were taken to counteract capital flight, but did little (Jiménez 2006). *Banco de Mexico's* reserves dried up in a matter of weeks.[12] In his Sixth Presidential Report, Portillo stated that the economy was experiencing the worst crisis in its history.[13]

Bailey (1980, 54) identified trends that produced economic panic: excessive government outlays; $15 billion in short-term loans which funded capital flight; an overvalued peso; and dollarization. Despite growing by 8 percent annually between 1978 and 1981, by the end of 1982, Mexico faced one of the severest crises in its history (Barker and Brailovsky 1983).

Table 3 – Identification of macroeconomic crisis early 1980s

Identification of Macroeconomic Crisis	**Coder 1 Ireland**	**Coder 2 Ireland**	**Coder 1 Mexico**	**Coder 2 Mexico**
O1. Stagnant or negative GDP growth	3	3	3	3
O2. Unemployment above 10 percent	3	3	0	0
O3. Inflation and interest rates above 10 percent	2	2	3	3
O4. National debt, as a percentage of GDP, increasing at more than 10 percent, annually	3	3	2	2
O5. The level of economic openness declining	3	2	1	1
O6. Public perceives economic crisis	2	2	2	2
O7. Media perceive economic crisis	3	3	3	3
O8. Economic/political commentators perceive economic crisis	3	3	3	3
O9. Central bank perceives economic crisis	3	3	3	3
O10. OECD perceives economic crisis	3	3	3	3
O11. Elected representatives perceive economic crisis	3	3	3	3
O12. Government pronouncements consistent with crisis management approach	3	3	3	3
	Strong	**Strong**	**Strong**	**Strong**

[12] Latin America Regional Reports, 13 August, 1982, p. 1.
[13] Sixth Annual Presidential Report of President López Portillo, September 1st, 1982.

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

From Table 3, we see that both authors felt the majority of observable implications supported the argument that Ireland and Mexico experienced economic crises during the 1980s. The next section tests for ideational change in industrial policy in Ireland and macroeconomic policy in Mexico during this crisis.

IDENTIFICATION OF IDEATIONAL CHANGE

The Ideas Underlying Irish Industrial Policy

From the 1950s, Ireland sought to attract labour intensive industries based around technically mature products (Lee 1992). In the context of weak indigenous industry, this seemed capable of delivering development (Lee 1992). By the beginning of the 1970s FDI accounted for the majority of new manufacturing jobs and exports. However, this led to the sidelining of indigenous industry in the policy process (Girvin 1989). It failed to create high value jobs and foreign companies were footloose (O'Malley 1985). In response, by the early 1970s the Industrial Development Authority (IDA) sought to attract more sophisticated overseas producers (Wrigley 1985). The economic problems of the 1970s led to a questioning of industrial policy.

The 1973 Cooper-Whelan report, co-authored by Noel Whelan, a civil servant, who later became Secretary of the Department of the Taoiseach, was sceptical of the long term benefits of FDI (Lee 1992). By 1979, it was clear that the success of the FDI sector was not finding its way into the rest of the economy (Lee 1992). This situation impelled the National Economic and Social Council (NESC), then under Whelan's chairmanship, to commission an examination of the industrial programme (Brunt 1988, 32). The objective was "to ensure that the Irish government's industrial policy is appropriate to the creation of an internationally competitive industrial base in Ireland which will support increased employment and higher living standards” (Telesis 1982, 3).

A Review of Industrial Policy, referred to as the Telesis Report, after praising the clarity and consistency of that policy, highlighted the negative impact of FDI on job creation and its failure to create linkages with indigenous industry (Telesis 1982). Pointing out that sustained economic development and a high income economy relies on native entrepreneurship, the report queried the policy emphasis on foreign investment (Lee 1992, 531) and a culture of dependence on state aid (Sweeny 1998, 103). The report encouraged a shift “towards building strong indigenous companies in the export and sub-supply business sector” (Sweeny 1998, 127) and that the proportion of funds given to domestic industries (one third of funding) be doubled by the end of the decade (Telesis 1982). The report "sent shock waves through the policy establishment" (Lee 1992, 532). Deputy Prime Minister, Dick Spring, admitted Telesis pointed to failings in the overall industrial policy framework (Dáil Debates 342, cols. 861, 11 May 1983).

There was ideational collapse (see Table 4) as Whelan, the NESC, Telesis and a host of other policy entrepreneurs critiqued the orthodoxy underlying extant industrial policy, while other change agents in the media and trade unions supported the ideas proposed by Telesis. Telesis found that the failure to develop native skills in technology and marketing, meant ‘the foundations of the industrial superstructure therefore lacked depth” (Kennedy, 1986: 49). The scale of the policy changes required by Telesis would take time to implement and take effect (Kennedy 1983, 34).

> [However] the period from December 1979 to December 1982 was one of the most remarkable periods in modern Irish history. There were four changes of Taoiseach in that period, six Ministers for Finance, three changes

> of government and the Irish economy declined progressively to a level unprecedented for decades. (Browne 1983, 5)

In this environment, changing extant industrial policy in a coherent fashion, despite the collapse of its underlying ideas, proved difficult. Thus, 'not only economically, but also politically, instability peaked in 1981-1982' (Mjøset 1992, 381).

By November 1982, when the majority Fine Gael-Labour Coalition came to power, the state of the public finances restricted government to austerity measures. For some, this government's 1984 White Paper on Industrial Policy "represented a pivotal document in the re-evaluation of the philosophy and strategic thrust of industrial policy" (Boylan 1996, 196). There were indeed "several changes in the content of industrial policy" in response to Telesis (Kennedy 1995, 59). It was acknowledged that "Industrial policies which had clearly served Ireland well in the 1960s and 1970s are now having less success" (Government of Ireland 1984, 3) and recognized that economic "flexibility, creativity and growth were all being thwarted by the dependence on foreign investment" (Munck 1993, 158). Yet, in concert with Telesis (1982), the White Paper stated there would be no radical change to incentives for FDI - "consistency and stability over many years of our policies for industrial development have been a major source of strength" (Government of Ireland 1984, 7).

The Ideas Underlying Mexican Macroeconomic Policy

Traditionally PRI presidents operated populist-redistributive models (Sandersen 1983). In 1976, when Portillo became president, he was forced to consider expenditure reductions due to the economic downturn following the first oil crisis (Woodhead 1980). However, with the discovery of vast oil reserves, he adopted a patronage model that sought to incorporate expansive state expenditure with rapid industrialisation (Bailey 1980). Initially, this continuation of the populist approach resulted in high growth rates (see Table 1), but as the economy grew reliant on oil revenues it became increasingly vulnerable.

> Rather than pay the political price that sweeping redistributive policies-especially tax reform-would have entailed, both the Echeverria administration (1970-1976) and the Portillo administration (1976-1982) sought to expand the entire economic pie and increase the role of the state in the economy, as banker, entrepreneur, and employer (Cornelius 1985, 88).

Despite oil revenues, Mexico became increasingly dependent on foreign borrowing to meet its expenditure commitments (Prest 1982). Once oil prices fell and interest rates rose, Mexico faced the prospect of defaulting on its debts. In response, in early 1982 the Portillo administration introduced a detailed plan to stabilise the economy (Taylor and Lopez 1992). The ideas underlying extant economic policy were coming under increasing strain.

The economic crisis dominated the 1982 presidential election. The PRI put forward fiscal conservative Miguel De La Madrid as its candidate (Nelson 1990). This was the result of shifts in a more conservative direction within the inner circles of the PRI (Sandersen 1983). The choice of De La Madrid marked a rupture from the party's revolutionary ideology. With the economy in crisis, and a sense that the PRI and traditional politics were failing to meet the challenges confronting the country, free market advocates demanded a president who would support the rights of private property (Luna, Tirado and Valdes 1987).

Throughout the campaign, which he ultimately won, De La Madrid emphasised the differences between his proposed government and the outgoing Portillo administration. In his inauguration address he declared his opposition to populism and institutional corruption (Cornelius 1985). He stressed that a new moral, political and economic approach was needed.

Locked into the conditionality of a harsh IMF bailout, negotiated by the outgoing administration, De La Madrid presented a detailed programme for policy change (Golob 2003).

The range of options open to the government was limited. External financing had dried up in the aftermath of the economic crisis, while oil revenues remained stagnant. Even when oil prices began to recover, PEMEX did not have the capacity take advantage of the situation. It was clear that to maintain economic, political, and social order, a break with the past was required. Acting as a political entrepreneur, De La Madrid championed a new set of ideas on how to manage the economy. Change agents, led by De La Madrid, consolidated around this replacement set of ideas. These involved moving the economy away from import substitution, towards a more open approach to international trade.

Table 4 – Indication of ideational collapse

Indication of Extant Ideational Collapse	**Coder 1 Ireland**	**Coder2 Ireland**	**Coder 1 Mexico**	**Coder 2 Mexico**
O13. Media questioning efficacy of current model	2	3	3	3
O14. Opposition critiques current model and propose alternative ideas	1	1	3	3
O15. Policy entrepreneurs critique current model and propose alternatives	3	2	3	3
O16. Civil society organizations critique current model	3	2	3	3
O17. Widespread public dissatisfaction with current paradigm	2	1	3	3
O18. External/international organizations critique current model and actively disseminate alternatives	2	2	3	3
Extant Ideational Collapse	**Strong**	**Medium**	**Strong**	**Strong**
(i) Indication of New Ideational Consolidation				
O19. Clear set of alternative ideas	3	3	3	3
O20. Political entrepreneur combines interests to produce consensus around a replacement paradigm	0	0	3	3
O21. Political entrepreneur injecting new ideas into policy arena	0	0	3	3
New Ideational Consolidation	**No**	**No**	**Yes**	**Yes**

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

In Table 4, we see that all of the observable implications strongly support the belief that in Mexico, during the early 1980s, the ideas underpinning extant economic policy, focused on import substitution industrialization and protectionism, had collapsed. Change agents' alternative ideas on opening the economy to foreign trade and investment, championed in the policy making environment by De La Madrid acting as a political entrepreneur, consolidated around these. In Ireland, in the absence of a political entrepreneur willing to champion the alternative ideas of the policy entrepreneurs, change agents failed to consolidate around a replacement orthodoxy to extant industrial policy.

IDENTIFICATION OF POLICY CHANGE

Changes in Irish industrial policy

Under the coalition government (1982-1987), incentives were more selectively deployed, while indigenous enterprises were given greater attention through the creation of a National Development Corporation (NDC). The objective was to foster an increase in the number of internationally traded companies, and to that end an export development scheme was established. There was some change in relation to FDI, with more of a focus on foreign companies with R&D functions and the potential for linkages with domestic enterprises.

1984 saw the introduction of the Company Development Programme to assist indigenous companies planning (Bielenberg and Ryan 2013, 29). In 1985, the National Linkage Programme sought to achieve a more integrated development pattern between indigenous and foreign enterprises (Brunt 1988, 32). The objectives of these programmes, with their focus on indigenous enterprises, was addressing weaknesses in management and marketing; achieving better value for money and creating better linkages with FDI (Kennedy 1995). The Irish Export Board (Córas Tráchtála) sought to address the information needs of exporters, as identified in the White Paper, through the production of guides for exporting.

"The Telesis report led to some measure of industrial policy reform, though this was less interventionist than the report envisaged" (Bielenberg and Ryan 2013, 29). Industrial policy gradually responded to the critiques of Telesis (1982) and the NESC (1982) (Ó'Gráda 1997). However, to regard the policy changes arising from Telesis, and the subsequent White Paper, as a break with extant industrial policy would be incorrect. States tend to be predisposed towards those policies with which they already have some favourable experience (Hall, 1989). Rather, they constituted a form of, what Streeck and Thelen (2005) refer to as, policy layering – an effort to make extant policy work. Despite Telesis, grants to indigenous firms increased by only 3 percent between 1985 and 1989 (O'Hearn 2001, 105). Industrial policy was adjusted in 1984, not transformed, due to a reluctance to break with past success in attracting FDI.

Although the ideas underlying extant industrial policy might have collapsed in the wake of the economic crisis, and provided a window of opportunity for radical policy change, this did not occur. Whelan, the NESC and Telesis, along with many other economists and commentators, acting as policy entrepreneurs, proposed alternative ideas to those underlying industrial policy. However, in the absence of these change agents clustering around a political entrepreneur to champion their alternative paradigm in the policy-making environment, new ideational consolidation did not occur. Despite the growing recognition that industrial policy was failing to produce the desired results, the Irish political establishment was reluctant to abandon a policy prescription that had, at least during the 1960s and early 1970s, ended a century of depopulation and economic stagnation. No political entrepreneur emerged during this period of ideational contestation. Politicians only seemed interested in variations on the existing paradigm. This was partly down to the fact that Ireland, at the time, experienced a period of weak and unstable governments (*The Irish Times* 1981b, 12). In these circumstances, the ideas underpinning extant industrial industrial policy endured. The collective mindset failed to disengaged from reliance on FDI and shift the focus of industrial policy to indigenous enterprise.

Changes in Mexican economic policy

In his inaugural address, De La Madrid declared Mexico was in an emergency (Russell, Bolte and Lopez 1982, 30) and set out a program of austerity measures (Lustig 1998). He appointed 11 cabinet ministers from the conservative wing of the PRI (Nelson 1990). Consequently, his cabinet supported his efforts to stabilize and open the economy – prioritising the attraction of FDI and focusing on high tech industries (Aboites 1983; Lustig 1992).

Macroeconomic stabilisation became the priority (Cornelius 1985). De La Madrid's first budget, aiming at reducing the deficit by 50 percent, was draconian (Russell, Bolte and Lopez 1982). The budgets he sent to Congress in 1983 and 1984 represented a sustained austerity drive (Cornelius 1985). The peso was pegged at a more "realistic" exchange rate and plans were introduced to restructure the bureaucracy. De La Madrid introduced conventional monetary and fiscal austerity, and more extensive trade liberalisation. For decades free trade had been "the policy option that dare not speak its name" (Golob 2003, 370). The Mexican government also adopted a less confrontational approach to the IMF and was able to reach agreement on an adjustment program to revive the economy (Nelson 1990). This allowed the country avoid a debt moratorium (ISG 1982; Looney 1985).

Recognising that Mexico could not rely on oil revenues, De La Madrid sought to privatise public enterprises, 1,155 of which were sold. There was an effort to combine structural change and macroeconomic stabilisation, with a focus on export orientated industries (Cornelius 1985). Power was decentralised to the states to foster competition between their governments and economies, and in so doing help encourage the development of private industries and investment. The overall objective was integration of the Mexican economy into the global economy.

These policies were to have a long lasting impact upon Mexico's economic, and social, development (Cornelius 1985). The change to neo-liberalism – marked by privatisation and deregulation – was radical (Pastor and Wise 1997). Mexico's import substitutions policies had concentrated on developing the internal market, while the new approach focused on international forces as drivers of liberalisation (Middlebrook 2004). Relaxation of restrictive FDI laws was a clear signal of the government's desire to attract foreign industries (Cornelius 1985) and allowed Mexican businesses forge relationships with foreign firms. All of the reforms enabled Mexico reach its IMF targets for reducing the public sector deficit.

There was a transformation in the relationship between state and private sector (Middlebrook 2004). For decades, the PRI had held private sector interests at arms length (Golob 2003). As private sector development became crucial to the country's economic revival, its growing importance gave it more influence over the formulation of economic policy and increased access to the government. Under De La Madrid, all sections of society gained a voice in a general liberalisation.

Mexican economic history can be divided into pre and post 1982. The crisis saw the development of a new set of economic policies and a new approach to economic management. In the wake of the crisis, and the change in ideas underlying economic policy, Mexico experienced a third-order change in macroeconomic policy (see Hall 1993). State control was replaced by the market, public ownership by private ownership and protectionism by competition (Lustig 2001; Pastor and Wise 1997). From 1982, Mexican economic policy started down a different path, culminating in accession to NAFTA.

Table 5 – Indication of level of policy change

Indication of Level of Policy Change	Coder 1 Ireland	Coder2 Ireland	Coder 1 Mexico	Coder 2 Mexico
O22. Policy instrument settings changed	3	3	3	3
O23. Instruments of policy changed	1	2	3	3
O24. Goals behind policy changed	0	0	3	3
Critical Juncture in Policy	**No**	**No**	**Yes**	**Yes**

(3) strong support | (2) medium support | (1) weak support | (0) no support | (N/A) not available

In Table 5 the observable implications show that Irish industrial policy's instruments' settings changed – constituting a first order policy change. In Mexico, the observable implications show strong evidence that after 1982 macroeconomic policy's instruments' settings, the instruments themselves, and goals all changed, constituting, according to Hall (1993), a third order policy change.

According to the CJT, in Ireland, although the ideas underpinning industrial policy's focus on FDI collapsed in the wake of an economic crisis, the absence of a political entrepreneur willing to champion alternative ideas meant change agents failed to consolidate around alterative policies, resulting in minor policy change. There was no critical juncture in industrial policy.

Comment [B1]: I think an interesting thing worth discussing is was there a change in Irish macroeconomic policy at the time but not in Industrial policy.

However, the third order policy change in Mexico, occurring in the wake of an economic crisis and ideational change, constitutes a critical juncture. The strength of the ideas underlying the import substitution policy ensured its continuity until the 1980s, when the policy was found to be failing, and the ideas supporting it were undermined. Thereafter, change agents, led by a political entrepreneur in President De La Madrid, consolidated around neoliberal ideas, resulting in a transformation of Mexican macroeconomic policy.

These findings, highlighting that an economic crisis is a necessary, but insufficient, condition for radical policy change, show the importance of ideational change in the policy change process.

CONCLUSION

This paper examined the economic difficulties in Ireland and Mexico in the early 1980s to determine if there was a critical juncture in Irish industrial policy and Mexican economic policy. According to theory, a critical juncture consists of a crisis, ideational change and radical policy change, with ideational change linking crisis and policy change. Following a crisis (policy failure) and extant ideational collapse, significant policy change depends upon actors, led by a political entrepreneur, reaching consensus upon, and consolidating around, new ideas. It is in the discursive interactions between the actors that ideas are generated along with the potential for policy change.

Employing a range of observable implications, we found strong evidence of economic crisis in Mexico in the early 1980s. In the midst of this crisis, the protectionist policy, having been undermined by previous failures, was overcome by change agents, led by a political entrepreneur, in the form of De La Madrid, consolidating around liberal economic ideas. These involved opening the economy to free trade and pursuing FDI. Our findings suggest that the policies adopted in response to the crisis involved altering the setting, instruments, and hierarchy of goals behind Mexican economic policy – a third order policy change. Thus, we identified a crisis, ideational change, and radical change in macroeconomic policy, which according to the CJT constitutes a critical juncture.

However, in Ireland there was no critical juncture in industrial policy. While the observable implication indicate the economy was in crisis, and that this was undermining confidence in the prevailing industrial policy (ideational collapse) - there was growing skepticism among policy entrepreneurs of the long term benefits of reliance on FDI and in particular its weak links with indigenous industry – a political entrepreneur willing to champion a new set of ideas failed to emerge. The goals of industrial policy, implemented in the 1950s endured, as the overarching, outward orientated, vision for the economy did not change. There was recognition that a large number of jobs and a high percentage of FDI, depend upon membership of the European Economic Community (EEC). Industrial policy was altered to attract more sophisticated FDI that would create higher value jobs; and to provide greater supports to indigenous industries – a first order policy change.

The CJT shows how ideas protect established policies. However, these ideas, having been undermined during a crisis can be displaced by the consolidation of political-entrepreneur-led change agents coalescing around new ideas. For the CJT ideational change is the differentiating factor between a crisis followed by radical policy change and one followed by minor policy change. This theory, and its observables, can be used to examine changes in a variety of topics from foreign policy to education policy. As such, the CJT can help us to better understand the impact of crises on policy making.

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Appendix A

O1. Stagnant or negative GDP growth (Pei & Adesnik, 2000).

O2. Unemployment above 10 percent (Pei & Adesnik, 2000).

O3. Inflation and interest rates above 10 percent (Pei & Adesnik, 2000).

O4. National debt, as a percentage of GNP, increasing at more than 10 percent, annually.

O5. The level of economic openness declining.

O6. Public perceives an economic crisis.

O7. National/international media perceive an economic crisis.

O8. Economic/political commentators perceive an economic crisis.

O9. Central bank perceives an economic crisis.

O10. Organisation for Economic Cooperation and Development (OECD) perceives an economic crisis.

O11. Elected representatives perceive an economic crisis.

O12. Government pronouncements on economy consistent with a crisis management approach.

Appendix B

Indication of Extant Ideational Collapse

O13. Media question efficacy of the current model and/or specific policy areas.

O14. Opposition parties critique the current model and propose alternative ideas – at election time their platform will be built around these alternatives.

O15. Civil servants, technocrats, academics, economists (policy entrepreneurs) critique the current model and propose alternatives.

O16. Civil society organizations, e.g., labor unions, employer organizations, consumer groups (policy entrepreneurs), critique the current model, reflecting Hall's (1993) coalition-centered approach.

O17. Widespread public dissatisfaction with the current paradigm, observable through opinion polls, protests, etc.

O18. External/international organizations (policy entrepreneurs) critique the current model and/or actively disseminate alternative ideas.

Indication of New Ideational Consolidation

O19. A clear set of alternative ideas, developed by policy entrepreneurs.

O20. The political entrepreneur combines interests, including policy entrepreneurs, to produce consensus around a replacement paradigm

O21. A political entrepreneur injecting new ideas into the policy arena.

Appendix C

Indication of Level of Policy Change

O22. Policy instrument settings changed (swiftly and for longer than one government's term of office)

O23. The instruments of policy changed (swiftly and for longer than one government's term of office)

O24. The goals behind policy changed (swiftly and for longer than one government's term of office)

Appendix D

	Ireland		**Mexico**	
	Krippendorff's α	**% Agreement**	**Krippendorff's α**	**% Agreement**
Crisis	**0.758**	**91%**	**1**	**100%**
Ideational	**0.022**	**33%**	*****	**100%**

Collapse				
Ideational Consolidation	**1**	**100%**	*****	**100%**
Policy Change	**0.615**	**100%**	*****	**100%**

* Both coders attained 100 per cent agreement and both selected the same value for each observable. Under this invariant values scenario, Krippendorff's alpha is undefined.