

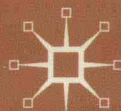


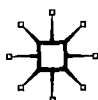
CRITICAL STUDIES OF
THE ASIA-PACIFIC

DELUSIONS OF DEVELOPMENT

THE WORLD BANK AND THE
POST-WASHINGTON CONSENSUS
IN SOUTHEAST ASIA

Toby Carroll





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Preface: Delusions of Development: the World Bank and the post-Washington Consensus in Southeast Asia

This book deals with a critical issue of our time – the World Bank's promotion of market-led development in the underdeveloped world and the impact that this promotion has upon citizenship. It looks at this subject through case studies drawn from one of the world's most diverse regions: Southeast Asia. In a world where roughly half the population lives on less than US\$2 a day and where billions still lack access to the benefits of well-established advances in areas such as health, water and education, development as a process of material improvement has taken on a new urgency. Within this environment, the World Bank, as the lead global institution charged with tackling poverty, dominates the development agenda. In turn, many writers have looked at the reforms that the Bank promotes, especially at the organisational level (as opposed to the field level). However, what is lacking in the existing literature on the Bank is an integrated analysis of the Bank's approach that includes an understanding of how the Bank *delivers* its mix of pro-market reform together with an analysis of the reforms themselves. This means that most commentators on the Bank have critically missed the impact that the organisation's current methods and reforms actually have upon the relationship between state and citizen. It has also resulted in insufficient attention being given to the politics that the Bank's work encounters on the ground. Crucially, without addressing these elements it is impossible to assess what an organisation like the Bank actually does. This book fills the existing gap by focusing upon the various methods employed by the World Bank in the field to embed liberal market development.

The book asserts that the Bank, frustrated by the earlier politics of development, has used various political technologies (such as participatory approaches) and delivery devices (new programme and project instruments) in its attempt to establish market societies. These political technologies and delivery devices often appear to be about increasing participation and inclusion in policy-making processes. However, in

practice (using a combination of co-option, functionalist consensus building, opposition marginalisation and via maintaining a monopoly on what constitutes development 'knowledge') these elements actually do the reverse – they attempt to narrow and constrain politics in the interests of establishing market society (which itself is seen as requiring the insulation of particular institutions from politics in the interest of the market). *In short, the Bank promotes illiberal politics in its promotion of liberal economics.* While such technologies and delivery devices attempt to circumvent the political obstacles to reform, institutions (especially those of the state), as the targets of reform, remain politically constituted. In particular, they represent the outcomes of political battles between interests, and in particular class interests. Subsequently, despite the Bank's new methods for embedding market society, reform remains no technical exercise, often resulting in outcomes that are a long way from any neoliberal ideal and which regularly fail to achieve discernible positive development outcomes.

TOBY CARROLL
Singapore

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This book was written in two main phases between 2004 and 2009. The bulk of the manuscript was drafted between 2004 and 2007 at the Asia Research Centre, Murdoch University. Additional writing and finalising of the text was done at the Centre on Asia and Globalisation at the National University of Singapore, in 2009. Many people in both places and beyond deserve acknowledgement for their time, patience and understanding in helping me produce the final work. My sincere apologies if I have missed anyone out.

The primary research for the manuscript was conducted over four separate fieldtrips: two trips that each took in Indonesia, Thailand and the Philippines during 2005; one to Washington, DC in 2008; one to Vietnam and Cambodia in 2009. Scores of interviewees whom I met with on these trips contributed important perspectives and offered suggestions that had a significant impact on the shape of my research. People from non-governmental organisations, activist groups, academia, communities, local and national government, the private sector, media, and of course the World Bank, gave up their time to answer questions and proffer information. While for various reasons they are not mentioned individually by name here, it is fair to say that without their collective response this work simply would not have been possible. In addition to those critical in the collection of 'primary data', I am also particularly appreciative of the numerous people who have provided me with important opportunities to present my work to academic and non-academic audiences over the last few years – experiences which have assisted me in sharpening my analysis. In this regard, I am very appreciative of Richard Robison's invitation to present evolving versions of chapter 6 at two conferences at the Institute for Social Studies in The Hague during 2006. Additionally, I am grateful to Diane Stone for organising a workshop on the World Bank in Singapore in 2006 (during the annual International Monetary Fund/World Bank meetings) where I was able to present an early version of chapter 8. Importantly also, Wil Hout, John Harriss and Paul Cammack deserve acknowledgement for their comments on the original text that formed the base structure for the book. Their recommendations assisted me greatly in preparing the final manuscript for Palgrave Macmillan.

My two 'homes' for writing up the project were also critical in the formation of ideas, not to mention the provision of palliative care when

it was required. The Asia Research Centre (ARC) has garnered an impressive reputation for its scholarly output; a reputation which transcends its size and geographical location in one of the world's most isolated major cities: Perth. For nearly twenty years, the Centre has been home to a range of innovative and research-active scholars, producing doctoral graduates who fill academic positions all over the world. Under the directorship of Garry Rodan, the ARC's achievements were impressive, especially given the situation in Australian higher education under John Howard's government. It was a place where hierarchy was not paramount, where postgraduates (who make up the bulk of the Centre's population) were encouraged by their mentors to significantly input into research agendas separate to their own, and where collegiality and genuine friendship existed at a level that encouraged envy. My four years at the Centre were characterised by the forging of lasting friendships and often intense conversations on all manner of topics, from the nature and evolution of neoliberalism to the respective career trajectories of our favourite musicians. It is not being dramatic to say that were it not for the ARC, and all that goes with it, this book would not have been possible. Specifically, I wish to thank my Centre friends, Carolin Liss, Sidney Adams, Miyume Tanji, Ian Wilson, Shahar Hameiri, David Flynn, Stuart Latter, Martin Gwyn-Fawke and Tamara Dent. Tamara, as the Centre's extremely capable 'fixer', deserves extra special thanks for her assistance in rectifying unexpected fieldwork dramas (such as impromptu flight reservation cancellations in the Philippines) and all manner of other complications.

My current residence, the Centre on Asia and Globalisation (CAG), exhibits much in common with the ARC – a reality for which I am extremely fortunate. Ann Florini, the CAG's director, has rapidly established an ambitious research agenda for the Centre that seeks to tackle global problems, while allowing research fellows significant latitude and intellectual autonomy in determining how such problems are engaged with – increasingly rare qualities in academia. Unlike many who display tentative and conditional support for intellectual pluralism, especially when driven by funding concerns, Ann is a committed pluralist, to which her support for all of us (including the odd Marxist) stands as testament. For their friendship and intellectual contributions, I also wish to thank my good friends at CAG who have been fantastic sources of support and inspiration during my time in Singapore. In particular, Tess del Rosario, Esther Yeoh, Tan Yeling, Ong Yanchun, Melissa Ong, Jasmin Kaur and Sandra Ng have been outstanding in their unswerving patience, company and loyalty. Ong Yanchun deserves special thanks

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Rather importantly, I must also convey my appreciation to the series editor, Mark Beeson, for his offer to be part of a series on Asia that holds out such exciting prospects. Indeed, this is probably one of the most interesting series on the region to emerge since the Asia Research Centre put itself on the map with series like the 'The New Rich in Asia' and 'Asian Capitalisms'. As series editor, Mark deserves credit for conceiving of a series based around an exciting theme at a critical moment in history. Palgrave Macmillan deserve acknowledgement for supporting the series and, in particular, I am indebted to Alexandra Webster and Liz Blackmore for their handling of my contribution to the series from proposal to publication.

I should perhaps also confess here that two of the case study chapters (6 and 8) clearly evolved from earlier publications. An earlier version of chapter 6 was published in the excellent 2009 Routledge volume, *Governance and the Depoliticisation of Development*, edited by Will Hout and Richard Robison. A quite different version of chapter 8 appeared in *Development and Change* (volume 40, number 3), under the title 'Social Development as Neoliberal Trojan Horse.' Both modified versions have been incorporated here with the kind permission of Routledge and Wiley-Blackwell respectively, for which I am grateful.

Three people, Kanishka Jayasuriya, Max Lane and Garry Rodan, deserve special mention for their assistance and commitment to the project that this book has been. Kanishka, who was a co-supervisor for my doctoral dissertation, provided much in the way of comments on the original text, ideas for consideration and secondary material for scrutiny. Kanishka is a true scholar in an age of often-thin intellectualism, and, as the reader will discover, his intellectual contributions on the regulatory state and market citizenship have left an indelible impression upon this book. For all his efforts I am extremely thankful. Max, who spent significant portions of time with me both at the ARC and in the Lion City, has been a very close confidant on all matters. In particular, I have valued our friendship and the many enjoyable discussions that we have had; discussions which I consider an important catalyst in the development of my thinking, and which have had a substantive impact upon my written work. Max's determination not only to understand the world around us but also to change it has been an edifying source of inspiration in a world replete with unconvincing and sometimes spurious 'change agents' and 'norm entrepreneurs'. Garry has been with this project longer than any other. He co-supervised my Honours dissertation

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List of Abbreviations

AAA	Analytical and Advisory Activities/Assistance
ADB	Asian Development Bank
AJI	Alliance of Independent Journalists Indonesia (<i>Aliansi Jurnalis Independen</i>)
BAPPENAS	Indonesian National Development Agency (<i>Badan Perencanaan dan Pembangunan Nasional</i>)
BOT	Build–Operate–Transfer
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
CoP	Committee on Privatization
CPIA	Country Policy and Institutional Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CPP	Cambodian People’s Party
CPS	Country Partnership Strategy
CPV	Communist Party of Vietnam
CSO	Civil Society Organisation
DANIDA	Danish International Development Assistance
DfID	Department for International Development
DK	Democratic Kampuchea
DOF	Department of Finance
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
GNI	Gross National Income
GOCC	Government-owned or -controlled Corporation
GOI	Government of Indonesia
HIPC	Highly Indebted Poor Countries
HPAE	High-Performing Asian Economies

IBRD	International Bank for Reconstruction and Development
ICIJ	International Consortium of Investigative Journalists
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INT	Department of Institutional Integrity
IPO	Initial Public Offering
I-PRSP	Interim Poverty Reduction Strategy Paper
JBIC	Japan Bank for International Cooperation
JSA	Joint Staff Assessment
JSAN	Joint Staff Advisory Note
KDC	Knowledge Development Center
KDP	Kecamatan Development Program
KMU	Kilusang Mayo Uno (May First Movement)
LCF	League of Corporate Foundations
LGU	Local Government Unit
LLI	Local-Level Institution
MD	Millennium Development Goal
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MTPDP	Medium-Term Philippine Development Program
MWCI	Manila Water Company Incorporated
MWSS	Metropolitan Water and Sewerage Service
MWSS-RO	Metropolitan Water and Sewerage Service Regulatory Office
NEDA	National Economic Development Authority
NGO	Non-governmental Organisation
NIE	New Institutional Economics
NSDP	National Strategic Development Plan
ODA	Official Development Assistance

OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
PHP	Philippine Pesos
PID	Project Information Document
PNPM	National Program for Community Engagement
PPP	Public-Private Partnership
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction Growth Facility
PRGO	Poverty Reduction and Growth Operation
PRK	People's Republic of Kampuchea
PRPK	People's Revolutionary Party of Kampuchea
PRRM	Philippine Rural Reconstruction Movement
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PWC	post-Washington Consensus
RRA	Rapid Rural Appraisal
SAP	Structural Adjustment Program
SDN	Social Development Network
SDU	Social Development Unit
SEDP	Social Economic Development Plan
SGR	Second Generation Reforms
SIN	Socio-institutional Neoliberalism
SOE	State-owned Enterprise
SwAP	Sector-wide Approach
TA	Technical Assistance
TUCP	Trade Union Congress of the Philippines
TWG	Technical Working Group
UATP	Umiray-Angat Transbasin Project
VF	Village Facilitator
WDR	World Development Report
WIDER	World Institute for Development Economics Research

Introduction: Delusions of Development – the World Bank, the post-Washington Consensus and Politics in Southeast Asia

Encountering orthodox development practice and discourse today, two defining linguistic trends are immediately apparent. The first is the plethora of acronyms (PRSP, PRA, HIPC, CAS, SwAP, etc.) that litter the reports and websites of ‘development’ organisations such as the World Bank (not to mention the conversations of ‘development’ organisation staff). The second is a now well-established language rich with progressive-sounding words such as ‘participation’, ‘partnership’, ‘ownership’, ‘harmonisation’ and ‘empowerment’. Such entries in the new development lexicon are regularly complemented by references to ‘institution building’, ‘civil society’ and ‘social and human capital’. This is the language of a new way of ‘doing development’ – a hegemonic approach driven in no small way by the World Bank, and one rather ambitiously tasked with freeing the world of poverty.

This book presents an exploration of this new approach, or what one might call the real-existing post-Washington consensus (PWC), through case studies drawn from Southeast Asia. For those of us engaged with or in the work of the Bank, the notion of a real-existing PWC might seem almost self-evident, although this understanding will no doubt be conditioned by one’s situation. A ‘development’ practitioner might say that it’s a new approach that places much greater emphasis upon the multifaceted nature of development. Conversely, a critical academic might argue that it’s largely old wine in new bottles, and an activist could well dismiss it as a smokescreen for the ongoing exploitation of the underdeveloped world. So, what is it?

This book makes the case that the PWC in practice constitutes a new form of neoliberal development governance that takes a qualitatively different approach to *embedding* and *maintaining* market society. In essence, the core purpose of the new development governance is to continue the

broad northern/western class project of extending the *competitive* market into social life in ways that circumvent the implementation impediments and crises of legitimacy that earlier phases of market-led development encountered (Cammack 2009: 2–3). This form of governance, described in the book as socio-institutional neoliberalism or SIN, has been increasingly refined and rolled out by the World Bank (with elements being variously embraced by bilateral development agencies, non-governmental organisations and governments alike) and complimented by the efforts of organisations such as the International Monetary Fund, and the Organisation for Economic Cooperation and Development.

Where the earlier Washington consensus sought to unleash market forces and unveil new accumulation opportunities for capital through simple policy prescriptions (such as privatisation, liberalisation and fiscal austerity), the Bank's SIN embodies a recognition that basic economic reform alone is insufficient and that establishing liberal markets is *fundamentally a political project*. Consequently, SIN comprises both a market reform agenda for state and society *and* newly minted methods and mechanisms with which to embed and sustain that agenda. Importantly, this attempt to reorganise the state and other socially embedded institutions and spaces (including the family and civil society) around the market is an exercise that implies a critical shift in the relationship between state and citizen.

Within SIN, the state is conceived as a bundle of institutions for the functional service of the competitive market (the most central of neoliberal institutions), and it is the 'well-managed' competitive market that is tasked with realising the Bank's self-proclaimed 'dream', inscribed on a wall in its Washington headquarters, of a world free of poverty. SIN stipulates very specific functions for the state to perform which relate to protecting against market failure and its repercussions. However, SIN grants no latitude to the state to substantively indulge in redistribution or service delivery (without competition) to offset social inequalities. Nor does it permit citizens the opportunity to demand non-market solutions to issues of distribution. Instead, SIN, treats national economies as ahistorical entities requiring technocratic assistance to 'best manage' apparently reconcilable interests – such as capital and labour – and create an ideal market complete with market citizens.

Notably though, the constitution of this utopian market environment does not just happen by itself and SIN's composite form owes much to this recognition. Subsequently, SIN incorporates an impressive array of political technologies and delivery devices for achieving the constitution of market society. The latter (delivery devices) are given concrete

form in new World Bank projects and programmes that operate at various political levels (national and local). The former (political technologies) are best represented by the novel methods of participation and partnership operationalised to mobilise constituencies of support for the implementation of the Bank's projects and programmes and the market norms and formal institutions promoted by them. All in all, SIN, constitutes a *political* attempt by the Bank to relegitimise market-led development, embed market society and institute market citizenship in the name of poverty reduction.

The book's argument and structure

In the pages below I offer a reconceptualisation of the post-Washington consensus, in part by analysing its deployment by the World Bank in one of the world's most diverse regions: Southeast Asia. In a world where roughly half the population lives on less than two dollars a day and where billions still lack access to the benefits of well-established advances in areas such as health, water and education, development as a process of material improvement has taken on a new urgency. Indeed, even before the full repercussions of the current global economic crisis had hit the underdeveloped world, the world's poor were facing the brunt of new mega-crises – crises of a globalised nature that include the fall-out associated with climate change and skyrocketing food prices, with the latter leading to World Bank President Robert Zoellick calling for a 'New Deal' on food (Carroll 2008: 7A). Within this environment, the World Bank as the lead global institution charged with tackling poverty dominates the development agenda. In turn, many writers have looked at the reforms that the Bank promotes, especially at the organisational level (as opposed to the field level). However, what has been lacking in the existing literature on the Bank is an integrated analysis of the Bank's approach that includes an understanding of how the Bank *delivers* its mix of pro-market reform together with an analysis of the reforms themselves. This has meant that most commentators on the Bank have critically missed the implications of the organisation's current methods and reforms for the relationship between state and citizen. It has also resulted in insufficient attention being given to the politics that the Bank's work encounters on the ground. Crucially, without addressing these elements it is impossible to assess what an organisation like the Bank actually does. This book fills the existing gap by focusing upon the various methods employed by the World Bank in the field to embed liberal market development.

The book asserts that the Bank, frustrated by the earlier politics of development, has used various political technologies (such as participatory approaches) and delivery devices (new programme and project instruments) in its attempt to establish market societies. These political technologies and delivery devices often appear to be about increasing participation and inclusion in policy making processes. However, in practice (using a combination of co-option, consensus building, opposition marginalisation and via maintaining a monopoly on what constitutes development 'knowledge') these elements actually do the reverse – they attempt to narrow and constrain politics in the interests of establishing market society (which itself is seen as requiring the insulation of particular institutions from politics in the interests of the market). *In short, the Bank promotes illiberal politics in its promotion of liberal economics.* While such technologies and delivery devices attempt to circumvent the political obstacles to reform, institutions (especially those of the state), as the targets of reform, remain politically constituted, representing the outcomes of political battles between interests, and in particular class interests. Subsequently, despite the Bank's new methods for embedding market society, reform remains no technical exercise, often resulting in outcomes that are a long way from any neoliberal ideal. More importantly, the Bank's efforts regularly fail to achieve discernible positive development outcomes and, indeed, often assist in achieving the reverse! While SIN is at its core an attempt to *relegitimise the World Bank's work and establish market society* (the Bank's core perfunctory prerequisite for poverty reduction), the book also makes the point that the Bank's project is a deeply contradictory undertaking that seeks to build fanciful institutions ('ideally regulated liberal markets') on a global scale, utilising mono-political 'participatory' methods designed to render reconcilable antagonistic social interests (such as labour and capital). It is also a project that, for reasons of legitimacy, is found to be rather hamstrung in many of the environments that many would think should be the Bank's 'bread and butter'.

The first four chapters of the book make a case for reconceptualising the post-Washington consensus and present a new analytical framework, based around SIN, for this purpose. They do this by detailing the different conceptualisations of the new development agenda and their limitations, the political and historical development of SIN, and SIN's formal constitutive elements. The four subsequent case study chapters demonstrate how SIN unfolds in the field, allowing us to see what SIN's different elements (its concentration upon institutions, participation, partnership etc.) mean in practice, beyond their articulation within the Bank's *World Development Reports* and the pronouncements of its senior

office holders. Importantly, the case studies also allow us to observe the politics that the Bank's approach generates and encounters.

Chapter 1 looks at the various competing conceptions of the new development agenda. The chapter argues that although some erudite work has been done defining and critiquing the post-Washington consensus, much of this has emphasised the PWC's prescriptive content rather than understanding the PWC as a political project. Subsequently, the chapter proposes a new way of understanding the new development agenda as a form of governance (SIN) that is both a combination of institutional/policy prescriptions and the means by which to deliver and embed those, an effort that at its roots seeks to reconstitute the relationship between state and citizen. The chapter also emphasises the importance of understanding how SIN unfolds in the field. This is important because it is in the field where we see the weighting accorded to many of SIN's elements and, crucially, the actual form taken by such elements. It is one thing to read about the World Bank's approach to participation and partnership in a *World Development Report* – quite another to see what these terms mean when they are impacted by pragmatic considerations of staff and the broader politics attending 'development' on the ground.

Chapter 2 details the ascendancy of SIN, placing it in historical and political perspective. This assists in explaining not only why SIN emerged in the first place but why it took on the very form that it has. In particular, the chapter makes clear the manner in which the Bank and market-led development more broadly were prone to problems in practice and explanatory difficulties that constituted a *crisis of legitimacy*. Conflict stemming from the operationalisation of the Washington consensus (in the former Soviet Bloc, Latin America and Africa, for example), not to mention fallout from large-scale multilateral-funded infrastructure projects (perhaps most notably dams) meant that by 1994, when the Bank was preparing for its 50-year celebrations it was, to quote senior Bank staffer Ruth Kagia, 'an institution under siege' (Kagia 2005: 2). The Bank and neoliberalism more generally had a complicated time explaining the Asian 'miracle' too, a conundrum that would only be amplified by a rather selective reading of East Asian development and its subsequent dramatic collapse in 1997 with the onset of the Asian crisis. As a result of this, the chapter argues that neoliberalism and the World Bank were forced, both by pressure from within and without, to change.

And change they did. New emphases were placed upon the importance of institutions and qualities such as 'ownership' and 'participation' for market constitution and function. As chapter 3 ('Getting the

New Basics Right') demonstrates, much of the prescriptive evolution within SIN would draw heavily from relatively recent developments within orthodox economics, in particular the insights of new institutional economics (NIE). NIE's emphasis upon 'information asymmetries' and 'transaction costs' and the importance of institutions for attending to both, forms the theoretical rigour underpinning much within SIN. Indeed, NIE's influence is strewn all throughout SIN's social-engineering efforts, most evident in the way in which SIN attempts to deal with imperfect markets by specifying 'institutional' panaceas. New World Bank projects and programmes are now tasked with 'building' and 'reshaping' institutions, including legal systems, systems of property rights, state and non-state mechanisms of accountability and transparency and even social institutions, on the justification of reducing the cost of market activity, re-balancing information asymmetries and addressing 'market imperfections' associated with these. Not surprisingly, this approach grants a key role to the state, which in large measure is supposed to be a 'regulatory state' (Jayasuriya 2000) which is to establish 'ideal' institutional regimes attractive to capital while also guarding against market behaviour that could compromise market efficiency and legitimacy. The SIN state is even supposed to make up for the apparent tendency of individuals to under-invest in certain areas. For example, the SIN state is accorded responsibility for ensuring (though certainly not necessarily providing) the conditions required for the successful reproduction and improvement of the proletariat, taking on semi-custodial roles to ensure the production of 'human capital' and investment in 'family formation' to assist workers to make more productive use of their most abundant asset – their labour (Cammack 2009: 2; World Bank 1990: 3). It is also supposed to ensure certain very limited safety nets are in place, to help shield the market against popular demands for market-unfriendly action. Such foci complement the old and sometimes revised elements of the Washington consensus: the early neoliberal fetish for privatisation has now morphed into a reifying of public-private partnerships and the importance of having the right regulatory structures in place; liberalisation still matters but must be complimented with the right institutional framework; the central anchor of neoliberal macroeconomics remains significantly intact.

However, critically evaluating SIN is not just about identifying its theoretical underpinnings and the obvious prescriptive elements through which NIE finds expression. Chapter 4 ('Embedding the New Basics') looks at how the concern with implementation has been addressed with novel and innovative delivery devices and political technologies. In this