

The substitutive state? Neoliberal state interventionism across industrial, housing and private pensions policy in the UK

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Abstract

This article advances the notion of ‘the substitutive state’ to explore the changing character of state institutions and state action in the context of neoliberalization. This understanding is contrasted with alternative accounts of state neoliberalization such as ‘the regulatory state’ and ‘the competition state’. It focuses upon the UK, and three domains of economic statecraft in particular: industrial policy (primarily the May government’s 2017 industrial strategy), housing policy (primarily extensive support for mortgage lending and borrowing since the 2008 financial crisis) and private pensions policy (primarily the establishment of state-owned pension scheme providers in the context of ‘automatic enrolment’ regulations). The article argues that state action in the UK increasingly encompasses new mechanisms for intervention in the private economy. However, associated policy practices are rarely strategic or purposeful. Interventionist mechanisms are often populated by the private economic actors implicated in the problem intervention is designed to solve, or are used to relieve the private sector from serving unprofitable market segments. Substitutive statism is aligned with a wider accumulation regime which state actors perceive as immutable; they are therefore willing to intervene to sustain this regime, irrespective of market signals. In short, state institutions have a more expansive interventionist footprint, but are doing *less* with *more*. In contrast to accounts of ‘the neoliberal state’, we should not assume that these institutions add up to ‘*the state*’, albeit a state with neoliberal characteristics. State action has always been a central, organizing element of neoliberalism, although its form has evolved as neoliberal ideas confront capitalist accumulation in practice.

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Introduction

A simplistic understanding of neoliberal ideology contends that neoliberalism favours markets, over state planning, as the primary form of economic organization. However, it is now widely accepted by critically oriented social scientists that large-scale state interventions in the capitalist economy are not only compatible with neoliberalism, but may even be one of its defining characteristics (in contrast to, say, classical liberalism) (see Davies, 2014; Mirowski, 2013; Schmidt and Woll, 2014; also Berry, 2018; cf. Stahl, 2019), to the extent that it is reasonable to conceptualize ‘the neoliberal state’ (see Plant, 2009; Weiss, 2012). In terms of economic policy, however, this is an understanding which has been principally applied to *macroeconomic* interventions (e.g. extraordinary monetary policies such as quantitative easing (Berry, 2016; Green and Lavery, 2015, 2018)). It is necessary, but not sufficient, to describe such interventions as ‘neoliberal’. The designation does not necessarily help us to understand these interventions: they may be consistent with neoliberalism, but they are not *for* neoliberalism. Our focus should instead be on the purpose of interventions, and how the specific forms that interventions takes serve to meet this purpose. State intervention in the capitalist economy, in countries such as the UK, obviously extends far beyond macroeconomic policy. What can we learn about the neoliberal state – and neoliberalism – by examining such interventions through this lens?

This article employs the concept of (economic) statecraft to explore this territory empirically. The concept has its origins in the study of diplomacy; its assimilation into the study of domestic politics focused on establishing the importance of leadership (Buller and James, 2012; Bulpitt, 1986), but arguably the underlying notion that statecraft is about how state powers and functions are shaped (by leaders, in a broad sense) to make certain outcomes more or less likely is the more useful dimension of the concept. As such, statecraft encompasses policy but also the wider political context in which policy is devised, and the political entrepreneurship which allows agents to produce the outcomes they want through their control of certain institutional functions (for an application to the politics of austerity in the UK, see Berry, 2016; Gamble, 2014; Hayton, 2014). Economic statecraft refers to the use of economic policy in this regard, but specifically the way state institutions and public policies are designed in relation to private economic activity.

In addressing these issues in the context of post-crisis economic statecraft in the UK, the article is relevant to a growing body of scholarship on the (dis)continuities within and characteristics of economic policy since the 2008 financial crisis, including analysis of the British ‘growth model’ (Berry, 2016; Hay, 2013; Lavery, 2019), the development of financialization (Cain and Montgomerie, 2019; Engelen et al., 2011) and neoliberalism (Carstensen and Matthijs, 2018; Crouch, 2011), and comparative analysis of neoliberal resilience (Schmidt and Thatcher, 2014) and variation (Ban, 2016). It focuses on three case studies of policy development: housing policy, private pensions policy and industrial policy, which

are discussed in the second, third and fourth sections respectively. The empirical analysis is based predominantly on policy documents and associated political statements (including media reports on emerging policy developments),¹ which are referenced where appropriate throughout, and is informed by an inductive approach to process-tracing (see Trampusch and Palier, 2016), allowing the article to infer the rationale behind various policy measures.

Before the empirical sections, the opening section outlines in more depth the article's value to theory, and its understanding of the neoliberal state. Overall, the article argues that we have seen state institutions take on a more interventionist stance through policy (and institutional) innovation, but that interventions have been substitutive rather than strategic or even corrective. State actors have intervened, but rather submissively, to allow the public sector to take responsibility for various economic processes which the private sector are not, or no longer, willing or able to participate in. This allows (a) private sector actors to focus on more profitable market segments or production stages and (b) a finance-led accumulation regime based on inflated asset values and an individualized approach to welfare to be maintained. This finding represents a correction, to some extent, to scholarship on the post-crisis evolution in economic statecraft in the UK, which tends to depict the state acting aggressively to protect the neoliberal project. As such, the papers build upon an understanding of neoliberalism as a state-led project. It is not simply that we *now* have a neoliberal state, as required to defend a largely market-based economic order, but that – irrespective of the *political* appeal of the market metaphor to neoliberal advocates – the state has always been central to neoliberalization as an economic process. The character of interventions in a seemingly private economy is as diverse and adaptable as the market itself, because state-based and market-based relations are mutually constitutive.

Neoliberalism and the neoliberal state

Neoliberalism is an individualist and pro-capitalist creed. Its most important political commitment is that collectivism dulls the self-interested accumulation of wealth, which is required for economic efficiency – it is therefore implicitly inegalitarian, to ensure there are financial incentives to pursue profit or sell our labour. None of this denotes opposition to the exercise of state power, either in practice or as a matter of logic – insofar as the state enables rather than alleviates capitalist dynamics. There is a diverse and growing literature on the vital role that state power plays in supporting neoliberalism, animated by observation of interventions undertaken since the 2008 financial crisis (see Davies, 2014; Mirowski, 2013; Schmidt and Woll, 2014; Weiss, 2012). This is generally presented, at least to some extent, as a departure from neoliberal principles, with the concept of ‘the neoliberal state’ knowingly oxymoronic. Yet neoliberalism has always incorporated – and indeed valorized – a role for the state in sustaining capitalism. For example, Milton Friedman's, 1951 essay ‘Neo-Liberalism and its Prospects’ argues, while denouncing collectivism, argues that this is precisely what distinguishes neoliberalism from ‘19th century individualism’, which ‘assigned almost no role to the state’. This is not to suggest that Friedman anticipated, or would have approved of, the form of interventionism explored in this paper, but rather that the question of how, when and why to utilize state power is a core feature of the neoliberal *problématique*.

As an ideology perspective focused on utilizing the state to sustain a certain economic order, understanding how neoliberal ambitions are realized in highly complex political-economic environments is as important as perfecting its definition. In a 2004

paper, Colin Hay offered a seven-point definition of a neoliberal policy agenda in a UK context:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.
2. A belief in the desirability of a global regime of free trade and free capital mobility.
3. A belief in the desirability . . . of a limited and non-interventionist role for the state and of the state as a facilitator and custodian rather than a substitute for market mechanisms.
4. A rejection of Keynesian demand-management techniques in favour of monetarism, neo-monetarism and supply-side economics.
5. A commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation . . .
6. A defence of labour-market flexibility and the promotion and nurturing of cost competitiveness.
7. A confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods (Hay, 2004: 507–508).

Clearly, state power (and resources) is necessary to enact neoliberalism via public policy, and as such, as Stephanie Lee Mudge (2008) argues, it is necessary to acknowledge the synergistic intellectual, bureaucratic and political ‘faces’ of neoliberal projects. It is not simply the retreat of the state that empowers market forces; systematic programmes of liberalization, privatization and monetarism, etc., have been required to ‘unleash’ the market. At the same time, neoliberalism’s political face constitutes not the evisceration of the public realm, but an understanding among political elites to embed market-centred governance within the locus of state authority (Mudge, 2008: 705). (For both Hay and Mudge, while centre-right politicians have long espoused such an agenda, the conformity of centre-left parties – more comfortable with interventionist politics – to neoliberal policy prescriptions should be seen a constitutive element of the neoliberal project.) Is it correct to assume, however, that a neoliberal policy agenda is fixed, or that the political face of the neoliberal project cannot change its expression? As discussed further below, it may be that interventions which appear to be substituting some market functions are necessary to sustain the neoliberal vision of market-based governance.

It is worth discussing briefly earlier attempts to narrate state neoliberalization from a critical perspective. The concept of ‘the competition state’, developed in the 1990s, offers an explicitly critical account of neoliberal statecraft. The competition state denotes a form of economic statecraft geared towards promoting the international competitiveness of the domestic economy, by cutting taxes and regulation, and subjecting industries and citizens to market forces. The proponents of the competition state ‘thesis’ are broadly split between two camps. On the one hand, those who see its development as a consequence of globalization and the apparent undermining of autonomy for nation-states to determine their own economic fortunes. (However, institutional path dependency is recognized in shaping the response to globalization that specific countries adopt – the UK’s neoliberalized approach to supporting competitiveness therefore built upon extant practice; Cerny, 1990, 1997). On the other hand, those who recognize a greater degree of contingency, even in countries such as the UK, as elites deliberately under-stated both the potential power of the state to shape and/or mitigate market forces, and intervened selectively in the economy to promote

competition (Jessop, 2002). The competition state thesis is rarely advanced now in any straightforward sense, but the concept has certainly influenced more recent scholarship on the neoliberal state, including the notion of a 'neoactivist state' (see Weiss, 2010) and state-led globalization (see Green, 2019).

Whereas the competition state concept largely originates in the discipline of International Political Economy, the notion of a 'regulatory state' is more focused on governance of domestic industries (although clearly resonates strongly with *transnational* statecraft in terms of the development of the European Union). There is a normative component to some scholarship or commentary on the regulatory state – insofar as regulating the capitalist economy, rather than dictating to it, was sometimes seen as a centre-left alternative to *laissez-faire* economics. However, the concept clearly had significant analytical value too, especially in political science, as a shift 'from government to governance', denoting the proliferation of non- and quasi-governmental entities in social and economic governance, was identified by some critical scholars as a key aspect of neoliberal statecraft (Moran, 2003; for a more general review, see Braithwaite, 2011). As Jamie Peck et al. (2012: 267) argue, neoliberalization 'embodies a rolling programme of market regulatory reform that seeks to govern and to displace the various social, economic and political pathologies which it itself produces'.

Both accounts are useful. The competition state thesis, at least in its critical guise, incorporates the notion of intervention, in contrast to some definitions, into the scope of neoliberal state action. The purpose of action, in allowing for a certain form of accumulation, is what counts. Similarly, whether we deem regulation a form of state intervention, the regulatory state thesis is useful insofar as it corrects the assumption that neoliberalism is inherently *deregulatory*. Sometimes, markets need to be made. (It is interesting that the move to privatize UK utility industries in the 1980s and 1990s – bringing about a jumble of state-led, pseudo-market systems of provision – features heavily in both accounts.) It is necessary, however, to reconceptualize the neoliberal state in relation to the present moment. It has become commonplace since the 2008 financial crisis to argue that a crisis largely caused by neoliberalism has led to, or allowed, the deepening of neoliberal ideology's hold on state action (see Mirowski, 2013; Thompson, 2017). Yet the principal example underpinning this case is 'austerity', that is, public spending cuts and fiscal policy constraint (see Blyth, 2013). It is argument not fully consistent with, say, the development of macroprudential regulation of the finance sector (Baker, 2013), and indeed with the apparent *failure* of austerity to significantly reduce public spending and borrowing in the UK (Berry, 2016; Stanley, 2016). Monetary policy *indiscipline*, as Jeremy Green and Scott Lavery (2015, 2018) argue, actually contradicts some of the assumed traits neoliberal statecraft (even if we acknowledge the monetarism, strictly defined, was quickly relaxed by UK policy-makers in the 1980s), even while it supports the accumulation regime associated with neoliberal ideology. The policies change, as the context evolves – for example, deflation, rather than inflation, becomes a more serious threat to finance-led accumulation – but the underlying purpose of policy, as dictated by neoliberalism, remains.

This raises the question of not only the form that neoliberalization (or *re-neoliberalization*?) takes after a crisis endogenous to the process, but whether critical political economists need to revise our understanding of the process. The routine embrace of interventionism by neoliberals – as documented by the literature on the neoliberal state – is one such challenge. The remainder of this paper explores this issue via assessment of developments across a range of policy areas in the UK which, with the partial exception of housing policy (given it

is directly impacted by monetary policy), have received little attention in this regard. In focusing on new or expanded state intervention, the paper considers whether, in fact, the (post-crisis) neoliberal state is prepared to 'substitute for market mechanisms'. As indicated above, this might directly contradict the third point in Hay's list of neoliberal traits. However, Hay is primarily referring to substitution in terms of the nationalization of major industries, shortly after privatization efforts in the 1980s and 1990s had dismantled many post-war public ownership arrangements: it may be that the substitutive state does not replace the market as a dominant form of economic organization, but rather augments the market in areas where it cannot or is unwilling to operate. Substitutive interventions may undermine competition, or sustain uncompetitive orders – a dimension of neoliberal statecraft which has been under-theorized – generally by displacing unprofitable aspects of market participation.

As an analytical concept, neoliberalism encourages us to think about state and market in dichotomous terms, with the neoliberal state facilitating or defending a largely market-based economic order, at least beyond the finance sector and the monetary system at the macro level. But it is not inconsistent with neoliberalism to suggest that state actors and institutions might become even more active or present as participants in the economy, if by doing so it serves to sustain the dominant forms of capitalist accumulation by private actors. Indeed, such an approach to substitution would help to further undermine the pre-neoliberal notion of the state as embodiment of a collectivist public realm, able to effectively shape private economic orders – insofar as it institutionalizes the state's submissiveness vis-à-vis private actors. Although this paper was largely researched and written before the COVID-19 outbreak in the UK, this understanding clearly resonates with the public policy responses to the economic crisis induced by the pandemic in 2020, as the state substituted for the private economic realm in myriad ways – most notably, funding the salaries of 'furloughed' workers – without necessarily using such interventions to leverage change within the private sector.

The three policy areas explored in the remainder of this paper demonstrate the intimate relationships that have developed between state and market actors, largely as a direct result of public policy. In general, across housing, private pensions and industrial policy, we see the UK state intervening to sustain prevailing forms of accumulation, reinforce norms around personal responsibility for welfare, and enhance the influence of private actors within public policy-making (not least as a bulwark against collectivism). The notion that these interventions represent a break from neoliberalism is too simplistic – but so too is the idea that these add up to 'the neoliberal state' which intervenes strategically at the macro level to defend a neoliberal economic order. Instead, we see the piecemeal development and diverse character of interventions, and in many ways a blurring of the ostensible boundary between state-led and market-based economic governance.

Housing policy: Indentured interventionism

There are few economic policy agendas in the UK more enduring than support for the housing market, with the perpetual growth of house prices sustaining a consumption-led (and debt-based, insofar as price inflation is enabled by mortgage availability) economic model (Crouch, 2009; Hay, 2013; Montgomerie and Büdenbender, 2015; Watson, 2010). As Annelore Hofman and Manuel B. Aalbers argue, the UK has a finance- *and* real estate-driven economic regime: while '[f]inance may dominate the economy . . . real estate finance dominates banking' (2019: 91). However, the extent to which sustaining this model

represents deliberate, voluntaristic action on the part of (neoliberal) state actors has perhaps been over-stated. Housing policy interventions were central to the economic statecraft of Margaret Thatcher's Conservative government, which valorized deproletarianization and a 'property-owning democracy' – an agenda reflected in liberalization of the mortgage market in the 1980s, and the 'Right to Buy' council housing privatization scheme (Wood, 2018). New Labour continued to promote home-ownership, principally by ensuring low interest rates and banking deregulation enabled both demand for and supply of mortgages.

Is the same strategy identifiable now, in the post-2008 period? Public policy support for the housing market is arguably more intense than it has ever been, encompassing various large-scale interventions (both temporary and longer term). The 'bailout' of several, large retail banks amid the 2008 financial crisis served, by design, to support the continuation of mortgage lending (for buy-to-let owners as well as owner-occupiers), and quantitative easing (QE) has, by design, enabled the continuation of a low interest rate environment to support mortgage affordability (while enabling banks to recapitalize). The fall in the cost of mortgages for borrowers has significantly outweighed the impact of new Mortgage Market Review regulations around the affordability of products (Hofman and Aalbers, 2019: 95). These interventions have been analysed and discussed in depth by political economists, although it is worth reiterating their costs: the banking bailout cost around £137 billion (even the £23 billion net cost, following some cost recovery, is colossal), in addition to around £1 trillion in loan guarantees (see Mor, 2018: 4). The Bank of England purchased UK government bonds worth around £350 billion between 2009 and 2012 (this cost has doubled in further rounds of QE following the Brexit vote and COVID-19 pandemic) (Bank of England, 2020b). In addition, the Funding for Lending Scheme allowed banks to swap their 'assets' (i.e. the loans they award) for short-term government debt, loading credit risks onto the fiscal balance sheet (use of the FLS for mortgage lending was eventually restricted). The creation of 'challenger banks' (via deregulation of banking sector entry barriers) after the crisis appeared to indicate a willingness on the part of policy-makers to engender greater competition within mortgage lending. However, the new banks represent a very small proportion of the mortgage market, and the replacement of the bank levy on the largest banks (designed to recoup some of the bailout costs) by a corporation tax surcharge significantly benefited 'the big four' retail banks at the expense of the smaller banks and building societies (see Barber, 2016).

In general, state interventions in (or affecting) the housing market since the 2008 crisis have served to restore rather than transform pre-crisis conditions. This applies in particular to the most significant direct intervention in the housing market, that is, the Help to Buy scheme (HTB) administered by Homes England. HTB was introduced in 2013 to address the significant decline in residential property transactions which occurred after the financial crisis, considered by the Conservative–Liberal Democrat coalition government to be a drag upon economic recovery (austerity notwithstanding) (Berry and Lavery, 2017). There had also been a significant decline in the proportion of mortgages approved with high LTV ratios, from around 10 per cent in 2007 to around 2.5 per cent in 2009 and subsequent years; restoring LTV rates to pre-crisis conditions was an explicit aim of HTB (Green and Lavery, 2018: 86). The scheme offered both interest-free loans to first-time buyers (of new-build properties) to cover the deposits required by mortgage lenders, as well as guarantees for lenders (on any type of residential property) in the event of default. The equity loans have cost around £15 billion so far (Ministry of Housing, Communities and Local Government, 2020b) – this is expected to double by 2023 (National Audit Office,

2019). The government has also provided loan guarantees value at around £12 billion (HM Treasury, 2017). The government allowed around a dozen banks to offer HTB products (including three of ‘the big four’), effectively enabling them to profit, without sacrifice, from a market which would otherwise been far less lucrative. (It is also worth noting the HTB Individual Savings Account, which provided a tax-advantaged savings vehicle for people saving for a mortgage deposit.)

While HTB was presented as a form of support for first-time buyers struggling to get onto the housing ladder, the scheme has helped many who did not need support, and has been concentrated in regions with lowest housing demand – the macroeconomic impact of inflating house prices is a more plausible verdict on the scheme’s rationale (Green and Lavery, 2018). HTB did not correct a market failure in the supply of affordable homes, but rather deliberately distorted the housing market to serve macroeconomic ends – at great fiscal risk (National Audit Office, 2019). The HTB equity loan scheme has been extended several times, and is currently due to end in 2023, having supported almost 500,000 house purchases. In its 2019 election manifesto, the Johnson government also proposed ‘a new market in long-term fixed rate mortgages which slash the cost of deposits’ to encourage further borrowing (The Conservative Party, 2019). The plan contained no further details, and appears to have been postponed in favour of an extension of parts of HTB extension, with the Prime Minister suggesting a new moniker of ‘generation buy’ (Collinson, 2020).

Lending to buy-to-let landlords has also recovered strongly from the 2008 financial crisis, stimulated primarily by low interest rates (Green and Lavery, 2018: 89–90). The Conservative(-led) governments have actually sought to curb tax reliefs which landlords benefit from (in both 2017 and 2020) – but the associated losses have evidently been passed directly to tenants (Office for National Statistics, 2019). This is a case where state non-intervention serves the policy goal, as a failure to protect tenants’ interests supports a major source of mortgage demand (Christophers, 2019). During the COVID-19 pandemic, the government agreed with lenders that all mortgage customers would be offered three- or six-month payment holidays – an offer taken up by one in six mortgage holders by mid-2020 (UK Finance, 2020) – thereby diluting a credit risk for prospective borrowers. There have been no similar provisions for rent payments (even if landlords themselves are benefiting from a mortgage holiday). In February 2020, the Johnson government also announced the First Homes scheme, whereby first-time buyers, military veterans and some ‘prioritized workers’ would be able to purchase newbuild homes at a 30 per cent discount, with the discount being applied again when the property is sold. Crucially, this scheme would be funded by the ‘Section 106’ income local authorities currently received from property developers, which is currently used to subsidize affordable rental properties including social housing (40–80 per cent of this income, or up to £4 billion, would be diverted in this manner) (see Ministry of Housing, Communities and Local Government, 2020a; Pickard and Mancini, 2020).

In short, state interventions in the housing market have expanded significantly in size and scope since the 2008 financial crisis (and monetary policy support for house prices has intensified). Does this mean housing policy has become less neoliberal, because the housing market, by design, is now characterized by state intervention? This would be a rather perverse conclusion. Clearly, we need to consider what makes pre-crisis housing policy emblematic of neoliberalism. Essentially, the desire to spread home ownership is consistent with a neoliberal normativity in which individuals and households are expected to secure the means of their own financial well-being, and be subjected to market-based disciplinary mechanisms

in the process. It also supported the process of neoliberalization indirectly by increasing individuals' reliance on paid employment to service mortgage debt. This is a long-running UK government agenda: even Harold Wilson's Labour government of the 1960s introduced 100 per cent mortgage loans (funded by local government and underwritten by central government) – foretelling both the 'Right to Buy' policy of the Thatcher government and direct coalition government support for higher loan-to-value mortgages (see Sparkes and Wood, 2020 for a historical discussion).

Crucially, a highly individualistic housing policy discourse around 'asset-based welfare' has survived the crisis. But it is probably implausible to suggest that disciplinary objectives remain the primary purpose of (expanding and intensifying) housing policy interventions. It seems more likely that this already-established policy discourse serves as a post hoc rationalization for interventions required primarily to support the value of residential properties for existing home owners, given the importance of housing wealth and real estate transactions to the wider accumulation model. Again, this was also an objective of the pre-crisis era, under New Labour (Watson, 2010), and so we should see 2008 not as a decisive turning-point in this regard, but rather a moment in which dependence of the accumulation regime on house prices deepened. The total value of UK housing stock grew from around 200 per cent of GDP in 2001 to more than 350 per cent in 2016 (Savills, 2017). House prices are strongly correlated to consumption in the UK (Campbell and Coco, 2007), but the financial crisis of 2008 saw house prices fall dramatically, not recovering to their pre-crisis peak until 2014 (and continuing to rise less steeply than during the 2000s before the crisis) (Bank of England, 2020a). Although lower house prices, other things being equal, actually serve the neoliberal cause of widening home ownership, it is clear that radical state action was required to support the housing market was required to avoid the prospect of radical economic restructuring (even where the resulting rise in house prices, coupled with earnings stagnation, particularly among young people, made home ownership far less realizable).

In this account, state interventions may not be *qualitatively* different to previous housing policies, but are growing in size and scope because neoliberal elites are effectively indentured to the housing market, above other spheres of the economy, in order to support capitalist accumulation. There is no attempt to transform the economy's core modes of accumulation; ironically the less intense interventions of the pre-crisis era – more conventionally neoliberal – better represent a project of state-led economic transformation (i.e. of home-ownership rates). The objectives of UK housing policy have shifted, from predominantly microeconomic to largely macroeconomic in nature, but only because the macroeconomic conditions underpinning the UK housing market have become more volatile. The substitutive state, in this economic sphere, is clearly still neoliberal in character. In fact, following Friedman's (1951) account of neoliberalism, we could conclude that recent interventions are in fact more strongly neoliberal in character, since they help to secure the macro context in which individuals are disciplined to pursue wealth accumulation, as well as, at a more basic level, the continuing function of a sector which has become strategically important to the UK's capitalist economy.

Private pensions policy: Pre-empting market failure

The past decade-and-a-half in UK private pensions provision can be understood, in a sense, as a period of intense neoliberalization. The decline of collectivist 'defined benefit' occupational pensions provision gathered pace in the early-2000s – at around the same time Tony

Blair's Labour government began to promote individualist 'defined contribution' schemes, where individuals are solely responsible for investment risks during the accumulation phase, as an alternative. Both trends have roots in the pensions statecraft of the Thatcher government in the 1980s, which accelerated the demise of defined benefit provision by, among other things, allowing sponsoring employers to take 'contribution holidays', and triggered the rise of defined contribution provision in the workplace by allowing for 'contracting out' fiscal subsidies to apply to defined contribution schemes (they had been previously available only to defined benefit schemes) (Pemberton, 2017). A recognition in the early-2000s of the failure of a voluntaristic approach to revive private pensions provision via defined contribution led to the adoption of 'automatic enrolment', whereby employers are mandated to enrol most of their workers into a workplace pension scheme and, crucially, make contributions to their employees' saving pots.

On the one hand, automatic enrolment and associated initiatives represent the emergence of a regulatory state on UK private pensions provision, insofar as employers are required by statute to make contributions (3 per cent of a band of earnings), and there have been efforts to, for instance, regulate the level and type of charges which savers must pay to their scheme provider (Marschallek, 2011, Tutyens, 2019). On the other hand, however, the limits to, rather than extent of, regulatory interventions are the real story here (see Taylor-Gooby, 2011). Defined contribution provision remains split between trust-based and insurer-provided provision, which are regulated in very different ways by, respectively, the Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) (individuals have no control over which type of scheme they are enrolled in). TPR recently began to apply a lighter regulatory touch to the largest trust-based schemes, known as master trusts, on the basis of an authorization regime. The government has elected to take no action on the 'small pots' that people accumulate as they change jobs (which they therefore have no meaningful insight over), being automatically enrolled each time. And most importantly, many millions of worker are ineligible for automatic enrolment (and therefore statutory contributions from employers) as a result of being on very low pay, in multiple jobs, or self-employment – only around half of UK workers are eligible, and millions more receive extremely low contributions (Silcock, 2015; see also Foster, 2010). The recent Taylor Review into the rights of 'gig' workers (discussed further in the next section) offered few, if any, substantive solutions to this problem.

Perhaps the most significant state intervention associated with automatic enrolment is the establishment of the National Employment Savings Trust (NEST). NEST is a state-owned defined contribution scheme providers, designed to serve as a 'default' provider for small employers. As a form of regulation, it serves simply as a 'nudge' (echoing automatic enrolment more generally) by offering a 'best practice' example on both cost and scheme governance for private providers. NEST is now the UK's largest pension scheme by a significant margin, with 6 million members, slightly less than its two main master trust competitors combined (the People's Pension and NOW) (PLSA, 2018). NEST's role, in essence, is to provide a service that the private sector cannot profitably provide. Its establishment to support automatic enrolment contorts the market failure rationale for intervention, since NEST exists to *pre-empt* the failure of a market which the state itself has created through regulation. Fascinatingly, the Pensions Commission established by the Blair government (chaired by Adair Turner, former director general of the Confederation of British Industry and chief executive of the Financial Services Authority), which laid the foundation for automatic enrolment into defined contribution pension schemes, did not recommend this

approach. Instead, the Commission proposed that the state would provide *all* defined contribution schemes (known as ‘personal accounts’), with scheme administration outsourced to the private sector (The Pensions Commission, 2006). That the Blair government instead opted to introduce a system whereby employers choose the scheme provider, with providers compete for employers’ custom, bears the hallmark of a competition state approach to pensions statecraft. However, NEST’s existence, while invoking the Commission’s statist approach, represents both an admission that a market-based approach cannot succeed, and a determination to protect market actors from competition. The state is not shaping the market, rather simply substituting itself for its (vast) unprofitable segments (Berry, 2021).

This substitutive function is also relevant to the state’s approach to the demise of defined benefit provision. The Pension Protection Fund (PPF) is an investment fund came into being in 2005 to provide pensions for individuals whose defined benefit scheme had ceased to function as a result of the sponsoring employer’s insolvency. As a general rule, individuals who end up in the PPF receive 100 per cent of the benefits their previous scheme would have provided if they were already in retirement (i.e. receiving their pension), or payments equivalent to 90 per cent of the benefits they were expecting at retirement, when they reach retirement age (annual payments are capped at around £40,000). In its latest accounts, the PPF reported it had just over 236,000 members across both membership sections, with its assets under management valued at just under £30 billion. The size of the fund means the PPF would sit comfortably within the list of the UK’s 10 largest funded defined benefit schemes, if it were classified in these terms (see Blain, 2017; PPF, 2018). The PPF takes in the residual assets of insolvent schemes, but is largely financed by investment funds and ‘levy’ payments by still-solvent employers whose schemes would be eligible for the PPF if they were to become insolvent.

The PPF is, in effect, on the front line of the UK’s economic malaise. Set up initially following the early-2000s ‘perfect storm’ which led to large deficits among defined benefit funds (Langley, 2004), since the 2008 financial crisis it has been dealing with increasingly complex cases, that is, larger funds sponsored by employers who have not necessarily insolvent, but are restructuring in order to avoid this fate – shedding their defined benefit pension funds in the process (Berry, 2021). The collapse of Carillion, noted above, saw 28,000 new members enter the PPF, as Carillion – the firm had sponsored several defined benefit funds, resulting from intense M&A activity. The case of Tata Steel is also highly illustrative. With Tata’s UK business threatened with collapse in the mid-2010s, the PPF faced the prospect of bringing in around 130,000 new members of Tata’s defined benefit scheme, inherited from previous sponsors British Steel and Corus (an enormous 55 per cent increase in PPF membership, essentially overnight). Instead, the pension scheme was eventually separated from the firm as a going concern, with a £550 million cash injection from the UK company’s Indian-owned parent, to facilitate a merger with German steelmaking giant ThyssenKrupp. It effectively now operates as a standalone scheme, with a 33 per cent stake in the continuing UK business. However, the PPF was required to underwrite this highly unusual move, and scheme members who chose to remain in the ‘old’ British Steel Pension Scheme – around 25,000 – eventually entered the PPF instead (Pooler, 2018; *The Guardian*, 2017; Tovey, 2016). Clearly, very large companies such as Tata Steel UK, with valuable fixed assets, are unlikely to ever become insolvent by the conventional route provided for by PPF eligibility rules. Yet the PPF is nevertheless being drawn into managing the implications of economic turmoil – we can soon expect the impact of COVID-19 on both firm profitability and capital market performance to materialize as a new set of dilemmas for the PPF.

This dilemma, essentially, belongs to the state. During the passage of the relevant legislation in 2003, then pensions minister Andrew Smith compared the prospective body with travel or car insurance, operating ‘without recourse to public funds’ (cited in Thurley, 2018: 4). However, participation – that is, the requirement to pay the levy – is mandatory. The PPF is technically not a public body, rather a publicly-owned corporation, but the need for the state to support the PPF is established in primary legislation, as are the PPF’s main benefit arrangements. The question, however, of whether the state has any responsibility for directly funding the PPF’s liabilities, should the PPF develop an unmanageable deficit, remains unresolved – yet it is unthinkable that the state would allow many thousands of pensioners (and near pensioners) to lose their benefits, for a second time, should these circumstances arise. As such, we again see the state taking on a significant, interventionist role via private pensions policy. It has not done so in a strategic manner – by, say, nationalizing the entire defined benefit landscape, as advocated by the House of Commons Work and Pensions Select Committee (2016) – but instead by establishing a mechanism for reacting to firm-level crises as they arise. Indeed, insofar as the PPF is now increasingly involved in under-writing pension liabilities so that *existing* firm owners can maintain ownership, or sell their shares at a value that does not reflect pension liabilities, suggests this function is becoming more significant.

It is also worth noting, finally, that the state also supports private pensions saving through pensions tax relief (PTR) – the gross cost of which has doubled to around £40 billion since the early-2000s (HM Revenue and Customs, 2019). This is partly because sponsors of defined benefit funds have been compelled to make higher ‘deficit recovery’ contributions, which in turn attract higher levels of tax relief. It is also because of the quasi-mandatory approach to defined contribution saving, with millions of new savers now benefiting from PTR for the first time. PTR disproportionately benefits higher earners, since they receive PTR during working age at their marginal rate of tax, yet may end up in a lower tax bracket in retirement (Echalier et al., 2013). Crucially, there is no evidence that PTR serves to incentivize private pensions saving for low-to-moderate earners (clearly, if it did, there would be no need for a system of automatic enrolment) (see Blake, 2016). It should be seen instead simply as a vast fiscal stimulus for private pension providers (Berry, 2021). Indeed, as a result of the COVID-19 pandemic, the state has temporarily funded the cost of employer contributions for ‘furloughed’ workers. Furthermore, the 2014 ‘pension freedoms’ reforms mean that defined contribution savers are no longer even required to turn their accumulated pensions saving into a stable retirement income by buying an annuity at retirement – a constraint previously justified as a *quid pro quo* for PTR.

In this sense, private pensions policy is being used, like monetary policy, to support *indiscipline*, as pensions savers are able to use their tax-advantaged savings (or state-financed savings, in the case of furloughed workers) to fund current rather than deferred consumption. More generally, in terms of policies focused more directly on encouraging and enabling individuals to save for a pension, it is clear that neoliberalization has advanced in tandem with state intervention, including institutional innovation and fiscal largesse. Individualized provision are consistent with neoliberalism, but has required intense regulatory action and subsidization (in all but name) to facilitate take up. Presented with the option of the state becoming the provider or procurer of defined contribution pension services – which would have effectively mitigated the impact of market forces on individuals’ long-term financial well-being – state actors have instead acted to establish NEST to mimic private provision, albeit serving a market segment which genuinely private providers are

unwilling to serve. As with housing policy, UK private pensions policy in recent years can be characterized as neoliberal interventionism, albeit in forms shaped by the contemporary circumstances of accumulation processes legitimized by neoliberalism.

Industrial policy: Business-centric governance

Industrial policy is not a discrete area of policy, but rather any intervention focused on modifying a given economy's industrial structures (usually, but not exclusively, by 'upgrading' manufacturing processes) (Chang, 2014; Rodrik, 2009). Notwithstanding debates about whether long-standing public policy support for the development of the finance sector should be seen as a form of industrial policy intervention, it is clear that industrial policy, in a conventional sense, has a rather limited lineage in the UK (Silverwood and Woodward, 2018). However, this heritage was challenged, to some extent, after 2008, as the UK's poor productivity performance began to concern policy-makers, and the financial crisis – and later the Brexit vote – drew attention to regional and sectoral 'imbalances' in the UK economy (Berry and Hay, 2016). Gordon Brown's incumbent Labour government (with Peter Mandelson as Secretary of State (SoS) at the new Department for Business, Innovation and Skills (BIS)) increased the scope of industrial policy in various ways, and this agenda was advanced by the coalition government after 2010 (with Liberal Democrat Vince Cable as BIS SoS).

After industrial policy was briefly deprioritized by the Conservative majority government in 2015, it became most firmly established when Theresa May became Prime Minister in 2016, and the new Department for Business, Energy and Industrial Strategy (BEIS) was established. The May government's 'industrial strategy' white paper, *Building a Britain Fit for the Future* (HM Government, 2017), alongside May's own public statements (May, 2016a, 2016b), ostensibly suggests a disavowal of policy practices, associated with neoliberalism but also long-standing *laissez-faire* principles, which characterize centuries of economic practice in the UK. The Johnson government has been preoccupied by both EU withdrawal and the COVID-19 pandemic since taking office in 2019, but has vowed to advance upon the May agenda in some ways – notably through additional investment advanced manufacturing R&D – thereby underlining the UK centre-right's apparent rejection of neoliberalism's aversion to industrial policy (Thomas and Pickard, 2020).

The May strategy introduced four 'grand challenges', around which policy action would cohere, suggesting a long-term agenda framed by social as well as economic ambitions (the challenges are: artificial intelligence and data; ageing society; clean growth; the future of mobility). Similarly, the Johnson government has made 'levelling up', in geographical terms, a policy ambition – suggesting a focus on using industrial policy to support some disadvantaged areas irrespective of the implications for aggregate economic performance. Yet few, if any May or Johnson initiatives have (yet) encompassed a significant amount of new public expenditure. Industrial policy initiatives since 2016 – perhaps since 2008 – have been conceived rather discretely from (and arguably without the full support of) the Treasury, which has maintained formal control of economic policy in general, including the 'productivity plan' devised during the brief Cameron majority government (which perversely overlaps with industrial strategy) (Berry, 2020). It would be tempting to conclude therefore that while there have been tentative moves towards breaking with neoliberal economic statecraft in this policy area, these moves have been timid, or constrained by the residual influence of neoliberal ideology in the state architecture. However, this is too simplistic an inference. UK

industrial policy has expanded in scope in recent years, in a substantive sense – but while it has done so, opportunities to *further entrench* neoliberal practices within public policy have been created.

The 2017 strategy's endorsement of 'sector deals' exemplifies this trend. Sector deals take the form of loosely structured partnerships between key industries and government (BEIS, 2019; HM Government, 2017). In this sense, Sector deals are an example of a more 'vertical' approach to industrial policy – bucking a longstanding aversion to 'picking winners' among particular firms and industries which usually valorizes non-selective 'horizontal' interventions to support the general business environment. Sector deals usually entail a number of firms undertaking to invest in a new product, location and/or R&D activity in return for government support, which can take a variety of forms, for example, subsidies, tax reliefs, investment in infrastructure or the removal of certain planning restrictions. There are currently 10 sector deals, in life sciences, aerospace, artificial intelligence, automotive, construction, creative industries, nuclear, offshore wind, rail and tourism. Crucially, the government's approach encourages sectors to self-organize by giving prominent roles to powerful, incumbent firms and individuals, potentially reducing opportunities for smaller, innovative 'disruptors' to break through in their chosen markets and challenge established players.

One way in which this is manifested is in the need for each deal to be led by a leader or champion – typically someone who already has a high status within the industry in question. The leader of the creative industries sector deal, for example, is the Vice President of Facebook for Europe, the Middle East and Africa, Nicola Mendelsohn, while the former CEO of Travelodge, Grant Hearn, was selected to oversee the new Hospitality and Tourism Skills Board (a key part of the tourism sector deal). Mendelsohn also sits on the Industrial Strategy Council, an independent body designed to hold the government to account by monitoring progress on the industrial strategy. The automotive sector deal was led by the chief executive of engineering giant GKN (recently bought by asset-stripper Melrose). The construction sector deal was delayed due to the collapse of outsourcing firm Carillion. It was eventually signed on behalf of the industry by the chief executive of Crossrail (a private company wholly owned by Transport for London), Andrew Wolstenholme, in his capacity as chair of the Construction Leadership Council. However, Wolstenholme subsequently stepped down from the Council when he left Crossrail to join BAE Systems. The Council's board includes senior executives from Saint-Gobain UK, Turner and Townsend, Arup and the Mace Group. Sector deals typify the view that business leadership is required to avert the (industrial) policy failures inevitable when state actors make decisions without practitioner insight – even where the interventions are designed to correct the market failures with which the same business practitioners are associated. The 2017 white paper's only substantive reference to the Taylor Review of Modern Working Practices (a major initiative to update employment regulation in light of the rise of 'gig' employment) relates to sector deals, as the government argued that sector deals 'provide a further opportunity for employers to promote good work and boost productivity. The right approach will vary from sector to sector. Delivering better quality jobs could involve a commitment to better employment relations and contracts that fosters both flexibility and security' (HM Government, 2017: 118). There is no evidence that any sector deal has as yet encompassed meaningful action on employment precarity within any industry.

The life sciences sector deal represents a particularly interesting case study in the privileging of (incumbent) private sector interests over the participation of other legitimate

stakeholders. Richard Jones and James Wilsdon (2018) criticized the deal on the grounds that ‘life sciences’ did not in fact represent an industry insofar as it could not be distinguished from the NHS, and that, as it stood, the deal would ensure that pharmaceutical and biomedical firms continued to be favoured by government, at the expense of other industries and institutions crucial to improving health outcomes. In a further sign of the privileging of private sector expertise, the Office for Life Sciences will now sit under a new Life Sciences Council, co-chaired by the Ministers for Business, Health and the Chief Executive of Astra Zeneca, and featuring many other businesspeople from a range of different firms (HM Government, 2018). The life sciences sector deal and strategy are not innovative mechanisms for supporting an innovative industry, but rather a manifestation of the British state’s longstanding support for the largest pharmaceutical firms. This support is typified also by the ‘patent box’ system of tax relief and NHS procurement practices (Industrial Strategy Commission, 2017) and indeed the UK’s determination (alongside the US) to resist a global ‘patent pool’ to prevent monopolization of treatments and vaccines for COVID-19 (Boseley, 2020).

Two other aspects of recent industrial policy practice encompass opportunities for business-led governance. Firstly, the establishment of Local Enterprise Partnerships (LEPs).

When the coalition came to power in 2010, it abolished New Labour’s Regional Development Agencies (RDAs), (partially) replacing them with LEPs. LEPs are ‘business-led partnerships between the private sector and local authorities established with the purpose of steering growth strategically in local communities’ (National Audit Office, 2016: 5). There are currently 38 LEPs across England, usually corresponding with ‘city-regions’, although, due to organizational discrepancies, some city-regions are covered by more than one LEP. While business leaders had been well-represented on the boards of the RDAs (and the unelected assemblies which oversaw them), LEPs were intended to give greater influence to the private sector in local economic development. Although partnered with local authorities, each LEP is chaired by a businessperson, with at least half of their board drawn from the private sector. LEPs offer substantial new opportunities for private actors to contribute to and influence local governance. This can be seen, not least, in the part they have been given in the fiscal disciplining of local authorities. When central government offered local authorities the opportunity to raise local taxes to pay for infrastructure (tax rises for public services were *not* permitted) the Treasury mandated that business representatives on LEP boards had to agree to the rise – *even where* local authority and LEP boundaries were not contiguous. This represents a considerable degree of sway over local taxation policy for an unelected body.

LEPs have formed an important plank of conservative-led governments’ local reform agenda since the beginning of the decade, for example playing a supporting role for local authorities in the negotiation of ‘City Deals’ with central government. ‘Local Growth Deals’, meanwhile, which supplemented City Deals and focused in particular on improving regional transport links, in fact by-passed local authorities altogether, being negotiated directly between central government and the LEPs. With the more recent emergence of ‘Devolution Deals’, LEPs have been increasingly integrated into the offices of the new ‘Metro-Mayors’. LEPs were mobilized by the May government’s industrial strategy when asked to devise ‘local industrial strategies’ for their city-regions – albeit with no new funding attached to this initiative. LEPs have now been asked additionally to devise local recovery plans in the wake of the economic disruption caused by COVID-19 – while local authorities themselves, on the front line of the public health impact of the pandemic, have seen their

resources depleted, with few guarantees from central government of remedial support (Local Government Association, 2020).

Secondly, the establishment of the Industrial Strategy Challenge Fund (ISCF), which was a major feature of the May strategy, ostensibly serving to finance innovation within the four grand challenge domains by subsidising business R&D, acknowledged as a market failure (although the programme was originally announced in advance of 2017 by the Treasury, with an alternative focus). Around £1 billion has been allocated to date, across hundreds of individual projects. The ISCF has now been incorporated into the framework of a new umbrella organization, UK Research and Innovation (UKRI), bringing together InnovateUK (which manages a number of small investment funds backing R&D in technological innovation) as well as the ISCF, the seven subject-specific academic research councils, and Research England (which promotes research and knowledge exchange). UKRI's overall annual budget amounts to around £6 billion. UKRI and its constituent parts appear set to intensify the commercialization of the broader UK research environment, typified by initiatives such as the Research Excellence Framework and new Knowledge Exchange Framework, which increase pressure on universities to prove the societal and economic 'impact' of their research, and to actively engage with the private sector. Similarly, Innovate UK's governing council, which meets six times per year, is dominated by private sector representatives. Speaking in 2017, Ruth McKenna, the Chief Executive of InnovateUK, described the ISCF as existing to 'deliver the science that business needs' (cited in BEIS, 2017). Accordingly, generally speaking, ISCF grants require leadership by private enterprises, with academic institutes very much the junior partners. Interestingly, ISCF has served as a model for the Johnson government's attempts to procure new medical equipment, such as ventilators, during the COVID-19 pandemic – attempts which have largely failed (Berry et al., 2020).

Industrial policy is not a straightforward example of substitutive statism, but is an interesting case nonetheless. There are elements of the state taking on responsibility for some economic activities (and risks) that were hitherto the domain of the private sector, primarily R&D in certain industries – through sector deals, higher education reform, the ISCF, extensive tax reliefs and seemingly new agencies to be established by the Johnson government. Of course, it is possible to argue that this represents a fairly mundane aspect of industrial policy, evident in most countries' economic statecraft (although this would not render the UK's partial *volte-face* unremarkable). The key dimension of the UK approach, however, is a willingness to place private economic actors at the heart of mechanisms by which this substitutive activity is governed. In essence, a market failure is overcome not simply by state action, but by the market displacing the state, within the state itself. This is surely reflected in the limited efforts to challenge private sector business practices even while expecting the aggregate performance of the private sector – on, say, productivity – to be transformed. The fact that a business-centric governance model has advanced even while UK governments have justified new industrial policy measures in terms of social rather than economic objectives is highly revealing.

It is perhaps as important to appreciate what policy-makers have *not* done in this policy area. The dynamic explored above helps to explain, for instance, the reticence of UK policy elites to establish public investment banks – perhaps the ultimate embodiment of substitutive statism, when it comes to financing industrial innovation – since such mechanisms would substitute neoliberal organizing principles *as well as* certain private economic practices. Instead, publicly owned institutions such as the misleadingly named British Business

Bank offer to underwrite loans made by private financial institutions to small and start-up firms, without any public leverage over firms' business models. This approach – and indeed this specific agency – has been scaled up in response to COVID-19's impact on UK business (Berry et al., 2020).

Conclusions: Doing less with more?

The post-2008 political economy literature on the British state has rightly focused on the role of state action, advancing far beyond correcting market failures to defend an extant accumulation regime. Even where the retrenchment of some state functions has been recognized – in short, austerity – it has been deemed consistent with the sense of a *leaner* but *stronger* neoliberal state. Yet there remain several questions, which this paper has sought to address. Extraordinary monetary policy since 2008, and associated housing policy interventions, are not straightforward examples of leanness – and hardly suggest strength either, insofar as state actors have been compelled by perceived economic necessity to intervene. Similarly, the literature has not systematically considered forms of intervention in ostensibly social policy domains such as pensions policy. The creation of NEST, for instance, costs very little – and this is surely part of the appeal of the approach it represents – but embodies a hugely significant (post-2008) intervention into the operation of a private pensions market, which itself has effectively been brought to life by (pre-2008) regulatory interventions. Changes in state action have not been satisfactorily conceptualized; the confusion over whether post-crisis industrial policy interventions represent an advance or atrophy of neoliberalization in UK economic statecraft is testimony to this.

The question of whether the neoliberal state is a strong state perhaps obscures the more important question of whether recent instances of intervention have been strategic or purposeful in nature. State actors are for the most part reacting to the shortcomings of an extant accumulation regime, just as much as they are serving to reproduce the regime. This pattern, arguably only partly visible after 2008, has been illuminated further by 2020. Amid the COVID-19 pandemic, state actors in the UK (and elsewhere) have hugely increased the scope of economic interventions, for example by funding the furloughing of workers, without seeking – or having capacity – to reshape the rescued firms or industries in the process (Berry et al., 2020). That said, while interventions have not been strategic in terms of reshaping accumulation processes, the institutional forms through which interventions are operationalized are designed strategically to *avoid* impeding profitable activity by private entities (irrespective of their impact on wider public goods). The state expands, but submissively.

This article has advanced the notion of substitutive statism by way of contributing to some of these growing debates. As demonstrated in the empirical sections, the concept of the substitutive state is relevant to policy practices across the macro-institutional core (such as the central bank), sector regulatory bodies (such as the Pensions Regulator), and even pseudo-public sector agencies such as universities. It overlaps with earlier accounts of state neoliberalization, most obviously 'the regulatory state' and 'the competition state', while seeking to capture new dynamics by which public institutions are now more likely to intervene in private economic activity, rather than simply seek to regularize it. This is of course not the substitutive statism of nationalization or public ownership, since state actors are generally seeking to augment and stimulate private economic activity beyond the substituted dimensions. Substitutive statism can be conceived as a more expansive version

of ‘market failure’, that is, the main justification for public policy within neoliberal thought. Its essence – albeit not one explicitly articulated by policy-makers – is that we can produce or reproduce market-like functions via the state, where market actors themselves are deemed unable to participate in a market-based order (permanently or temporarily). Although the initial expansion of the state in these terms following the COVID-19 outbreak has been initially scaled back, it may yet be required to advance again – and many of the housing, pensions and industrial policy interventions explored in this article have proved to be enduring.

We can therefore summarize the characteristics of substitutive statism as:

1. A more expansive interventionist footprint in terms of institutionalized interaction between the public and private sectors.
2. Interventions to support apparently malfunctioning element of extant accumulation processes, generally by the public sector taking more responsibility for unprofitable activity, and in doing so pre-empting perceived market failures which would have resulted.
3. The increased involvement of private economic actors in the governance structures of new or reformed mechanisms of interventions, pre-empting or circumventing perceived policy failures associated with state intervention.
4. Interventions focused on helping individuals (or localities) to become more ostensibly self-reliant, often through significant fiscal support, thereby allowing them to participate in market-based economic processes.

In essence, the state appears to be doing *less* with *more*. It is expanding in terms of both institutional presence and fiscal risk, but not in terms of increasing its capacity to shape economic life. Of course, in positing the emergence of a substitutive state, we should not assume that these state forms ultimately add up to ‘*the state*’ with a single set of characteristics (Hay, 2014) – this is one of the limitations, more generally, of the concept of ‘the neoliberal state’. The core characteristic of the neoliberal interventionism may be that it actually collapses the ideational underpinning of ‘*the state*’, but nevertheless uses state projects to support accumulation, even if state actors do not themselves understand or present their agency as ‘state action’ in a conventional sense.

It is important not to over-state the novelty of substitutive statism as a dimension of neoliberal interventionism. Neoliberalization is a state project, orchestrated via public policy, even if collectivist statism is denounced. Substitution may imply a collectivist mitigation of market dynamics, yet if its purpose is the maintenance and legitimation of a market-based order, it should be recognized as an adaptation of rather than disruption to neoliberal statecraft. One of the main implications here is that the literature on ‘the neoliberal state’ has tended to identify a strong, purposeful state as the antidote to crises of accumulation and legitimacy. This may, or may not, be empirically accurate in different contexts. Yet it is important to recognize that state action in various forms has always been central to – perhaps even a defining aspect of – neoliberalism. This recognition encourages us to identify greater diversity within practices of neoliberal interventionism.

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1. The empirical analysis also draws upon the author's extensive interactions with policy-makers, particularly in relation to pensions policy and industrial policy, as both a public policy practitioner and member of various expert advisory bodies.

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