

The Neoliberalization of the Norwegian Development Strategy

A Study of State Power

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Summary

This thesis investigates the relationship between the state and the capitalist market in the process of neoliberalization in the Norwegian context. This relation will be investigated through a case study of the neoliberalization of the Norwegian development strategy and how it has related to the process of internationalization of Norwegian capital. A tendency prevails in contemporary development thinking to assume that neoliberalism entails a decentering of the state in an inverse *quantitative* relation between less state and more market. This thesis will turn to the Marxist tradition to assess neoliberalization as a process of change in the *qualitative* balance of social forces condensed within the state. An assessment of this process requires both a conceptual and methodological clarification regarding the constitution of state power in relation to the dynamics of capitalist development and an empirical investigation of how this relation has been forged in a concrete historical-geographical process. The concrete historical analysis of the neoliberalization of the Norwegian development strategy undertaken in this thesis provides a vantage point from which neoliberalism in the Norwegian context can be understood as a class project that is mediated and embedded within the institutional materiality of the state.

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Abbreviations

AP: Labour Party

CMP: Capitalist Mode of Production

DFI: Development Finance Institution

EEC: European Economic Community

EU: European Union

GIEK: The Norwegian Export Credit Guarantee Agency

GNI: Gross National Income

GPN: Global Production Network

H: Conservative Party

IFI: International Finance Institution

KrF: Christian Democratic Party

LDC: Least developed country

NABA: Norwegian-African Business Association

NHO: Confederation of Norwegian Enterprise

NIEO: New Economic World Order

NIS: Strategy for Support for Private Sector Development in the South

NORAD: Norwegian Agency for Development Cooperation

OAG: The Office of the auditor General of Norway

PSD: Private Sector Development

SP: Centre Party

SV: Socialist Left Party

V: Liberal Party

VoC: Varieties of Capitalism

1 Introduction

The reconfiguration of global capitalism from the 1970s onward, what is commonly referred to as globalization, was followed by an analytical shift away from the state and toward other scales such as supranational institutions or subnational regions in analyses of societal development. This analytical shift is said to be related to a material shift in the scalar organization of global capitalism. The Keynesian social democratic state was primarily instituted at the national scale, making the national state the primary scale upon which economic management and social policy was undertaken during the post-war years (Brenner, Jessop, Jones & Macleod 2003). These relations of economic and social organization were disturbed from the early 1970s onward with the stagflation crisis spreading across the capitalist world. Increased internationalization and the surge of neoliberal market oriented reforms, it is argued, “have prompted a decentering of the national scale and the proliferation of new institutions, projects, and struggles at both subnational and supranational scales and this has complicated the articulation of different scales” (Brenner, Jessop, Jones & Macleod 2003, p. 4).

To a large extent, then, critical scholars have embraced the idea that the role of the state has declined in an increasingly neoliberal and globalized economy. Many critical human geographers concerned with political economy and development issues have thus departed from what they see as ‘state-centricity’ in the classical development paradigms of modernization theory and dependency theory. These scholars have turned from ‘state-centered’ approaches to ‘firm-centered approaches’ in their analysis of global capitalism (Bridge 2008). This turn away from the state has been explicitly theorized in the Global Production Network (GPN) approach, which holds that GPNs have become the predominant organizational feature of global capitalism, and consequently, that the sub-national region and lead firms are the geographical building blocks of capitalist development in contemporary globalized capitalism (Coe & Yeung 2015).

In opposition to the claim that the state has declined in favour of the market, there has been a tendency among Norwegian scholars to assert the national peculiarity of Norway in which the state has showed a continued strong presence. As I will show in later chapters, among these scholars, the claim that the state as remained important has been accompanied by a skepticism toward explaining the development of Norwegian capitalism since the 1980s onward in terms of a neoliberal development (see Sejersted 2000; Heiret 2003b; Mjøset

2011). In short, there is a tendency in the literature to depict an opposition between state and neoliberalism. On the one hand, social theory that seeks to understand processes of neoliberal globalization have tended to depart from analyses of the state, assuming that the capitalist market has transcended its dependence on political management by the state. On the other hand, scholars who assert the persistence of the state, particularly in the Norwegian context, tend to be hesitant toward the concept of neoliberalism.

This analytical opposition set up between the state and neoliberalism is particularly characteristic of contemporary development thinking. The early neoliberal development policies are commonly referred to as the Washington Consensus, a set of policy prescriptions aimed to remove what was seen as state distortions from the market. The capitalist market was believed to efficiently allocate social resources in a way beneficial to all layers of society if left relatively undisturbed by political intervention (Selwyn 2014). In the wake of the 2008 financial crisis, however, this free-market fundamentalism was challenged as states stepped in to prevent global capitalism from collapsing. A different view of the relationship between state and market thus emerged, often referred to as the post-Washington Consensus, epitomized by the economist Joseph Stiglitz who argues that “the government should see itself as complementary to markets, undertaking those actions that make markets fulfill their functions better – as well as correcting market failures” (Stiglitz in Selwyn 2016, p. 787). A tendency has thus emerged within development theory in which the state is “(re)conceptualized as a ‘supporting’ actor in expanding and delivering market ‘opportunities’ to the populations of the global south” (Selwyn 2014, p. 9). After the 2008 crisis, then, the state is increasingly seen as important in correcting markets, and not simply distorting them. Despite this acknowledgement of the importance of the state, however, a conception of the state as external to the capitalist market remains, in which the market is posited as natural and dynamic in opposition to the politically biased and torpid state (Mazzucato 2018).

In this thesis I will investigate the relation between the state and market in the historical and geographical development of capitalism in the Norwegian context in the wake of the stagflation crisis. I have chosen to investigate this process through a case study of the Norwegian development strategy and how it has related to the process of internationalization of Norwegian capital. I will do this by turning to the Marxist tradition which I find to have provided a fruitful theoretical framework with which to understand the relationship between the state and neoliberalism. Marxist geographers have conceptualized neoliberalism as a political project “to re-establish the conditions for capital accumulation and to restore the

power of economic elites” (Harvey 2005, p. 19). Neoliberalism is thus understood as the process of uneven development through which capital has sought to restore favourable conditions of accumulation in order to regain acceptable profits in the wake of the stagflation crisis of the 1970s and 80s (Brenner, Peck & Theodore 2010; Peck & Tickell 2002). That is, neoliberalism is understood as a class project. Moreover, within the Marxist tradition a concept of the state as a social relation has been elaborated in which the state is understood as the material condensation of the balance of social forces in wider society. This concept was put forward by Nicos Poulantzas who argued that the state must be conceptualized “like ‘capital’, *it is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form*” (Poulantzas 2014, p. 128-29, original italics). By integrating these two perspectives in a coherent framework, neoliberalization can be understood not as a decentering of the state in an inverse *quantitative* relation between less state and more market, but instead as a process of change in the *qualitative* balance of forces condensed within the state. The problem of analytically separating between neoliberalization and state is thus that it might mask the changing class character of the state in neoliberal societies.

To integrate the Marxist concept of neoliberalism as political project and the concept of the state as a social relation, a methodological clarification is necessary. Poulantzas belonged to the Althusserian structuralist Marxist tradition, and while I regard his concept of the state as a social relation as fruitful for the purpose of this thesis, I will argue that his structuralist methodology reduces state theory to assessments of conceptual abstractions of ‘capitalist structures’ separated from historical processes (see Wood 1998; Clarke 1991). This structuralist inclination perpetuates the logic of the contemporary tendency to separate neoliberalism from the state, in which the capitalist economy is posited ‘out there’ as autonomously existing structures independent of political and practical activity. Bob Jessop, one of the most influential contemporary state theoreticians, has elaborated fruitfully on Poulantzas’ concept of the state as a social relation, but has departed from Marxism which he sees as overtly abstract and economistic to grapple with the complexities of present capitalist societies. Contrary to Jessop’s settlement with Poulantzas’ structuralist methodology, with which he refutes Marxism as such, I will seek to provide a different reading of the Marxist methodological framework which I find pertinent to transcend the tendency to separate between state and neoliberalism. In the theoretical part of this thesis I will thus engage in both a conceptual and a methodological discussion.

As such, I have two interrelated aims with this thesis, differentiated by their levels of abstraction. First, a concrete research aim will be to *assess contradictions and coherence in the process of neoliberalization of the Norwegian development strategy*. Second, I wish to assess a more overarching research objective, *to explore a particular process-oriented Marxist methodology in order to inform a larger debate about the relationship between neoliberalization and state power in the Norwegian context*. With the empirical investigation undertaken to assess my first research aim, I wish to provide a vantage point from which to inform the abstract debate implied in my overarching research objective.

The neoliberalization of the Norwegian development strategy

In the mid-1970s, the Labour Party Government elaborated a development strategy based on the demands of developing countries for a new economic world order (NIEO). Through the NIEO, the Government advocated national sovereignty over resources as a fundamental prerequisite for development. The development strategy was thus directed toward restructuring power imbalances in the global economy between developed and dependent economies (Tamnes 1997; St. meld. nr 94 1974-75). This development strategy was challenged throughout the 1980s, and was significantly altered in the 1990s. A process of neoliberalization unfolded within Norwegian development policies, as notions of contradictions between exploiter and exploited in global capitalism was replaced by a notion of integration and common interests among rich and poor in the expansion of the ‘free’ capitalist market. By 2017, the Government is explicit in that development aid should be used to provide the frame conditions for capital accumulation in developing countries: “It is the private sector which develops the necessary technology and new solutions that are required to reach the sustainable development goals. Aid is to be risk relieving and take the initial costs that commercial actors are not willing to take” (St. meld. nr 24 2016-17, p. 67, my translation). And, while the development strategy has been increasingly directed toward creating favorable frame conditions for capital to thrive in, the development policy provides the instruments with which to support Norwegian companies to internationalize to these countries. Kristin Clemet, previous chair of the Norfund board, one of the single most important Norwegian development institutions, sums up the assumptions underpinning this development strategy when she asserts that “to be chair of Norfund is the most interesting appointment I have had. It is about doing good business and is simultaneously meaningful in that it is also about fighting poverty” (Norfund 2018).

In light of the theoretical understanding of neoliberalism as political project, an assumption guiding my concrete research aim is that there exists some form of coherence between the neoliberalization of the Norwegian development strategy and the process of internationalization of Norwegian capital. The neoliberalization of the Norwegian development strategy has evolved analogously with a process of internationalization of the Norwegian economy. When a severe stagflation crisis hit Norway in 1986, internationalization became the preferred means to alleviate problems of over-accumulated capital among many Norwegian firms. Most notable is perhaps the energy sector, in which the general crisis was aggravated by limited outlooks for further expansion within Norwegian territory as the natural resource base was expected to be exhausted in the near future. With its constitutive role for the Norwegian economy, the energy sector had provided a strategic backbone for the state regulation regime of the social democratic order, in which a comprehensive state project aimed to politicize the Norwegian economy through a resource policy aimed at bringing national resources under public control and management. Faced with the economic crisis and the implementation of neoliberal reforms in other spheres of Norwegian society as well as at the international scale, the resource policy was reformed in the 1990s toward a strategy of internationalization and market rule.

This thesis will investigate the potential interrelation of these two processes, the marketization of the development strategy and the internationalization of Norwegian capital. And, as has been alluded to above, this concrete investigation necessitates a conceptual and methodological assessment of the relationship between state power and neoliberalism.

Research questions

Consequently, this thesis has both a theoretical and an empirical objective. The Marxist methodological framework put forward in this thesis entails a dialectical understanding of the relationship between the abstract and the concrete. Concrete and empirically observable phenomena internalize the abstract logic of the totality of the aggregate capitalist society, while at the same time reproducing and constituting this totality in processes of constant change. I will therefore adopt a cyclical logic of inquiry in which I move from the abstract to the concrete and back again with the aim to shed light on the abstract through the concrete and vice-versa. My research aims will be assessed through two research questions, and although located at different layers of abstraction, the two research questions are aimed to inform each other in a dialectical movement between the abstract and the concrete.

1. *What can explain the process of neoliberalization of the Norwegian development strategy?*
2. *How can we understand the relationship between state power and neoliberalization?*

Scope and structure of the thesis

The neoliberalization of the Norwegian development strategy will be assessed with particular emphasis on its relation to the energy sector. The management and regulation of energy resources, both in terms of hydropower and petroleum, has been of particular significance to wider regulation regimes in Norway (Skjold 2015; Thue 1996). After internationalization became a strategic focus for the Norwegian resource policy in the 1990s, energy became a targeted industry for Norwegian private sector development. However, due to time and space restrictions, the thesis will limit its scope to the hydropower sector. The petroleum sector will only be referred to in relation to the background conditions it creates for the process I investigate, and its direct involvement in the development cooperation through programs such as Oil for Development will not be assessed.

The thesis consists of nine chapters and is divided into two parts. Part 1, consisting of chapters 2-5, will be devoted to the theoretical discussion aimed at establishing the methodological and conceptual apparatus necessary for my case study. In part 2, consisting of chapters 6-8, I will present my case study through an historical narrative. Chapters 6-8 follow my periodization of the neoliberalization of the development strategy: the crisis of social democracy (1970-1990); the rolling out of neoliberal reforms (1990-2004); and the consolidation of a contradictory neoliberal state project (2005-2019).

In **chapter 2** I will outline the Marxist theory of the state as a social relation as elaborated by Poulantzas. I will show that the Marxist state debates has primarily involved methodological questions of determinants for the constitution of state power. Bob Jessop has sought to integrate the concept of the state as a social relation into his influential state-theoretical scholarship but insists on the limitations of Marxism in analyzing the historically concrete constitution of state power. While I find Jessop's conceptual elaborations on the state as a social relation useful, he reproduces a structuralist reading of Marx which masks essential features of historical materialism. The argument of this chapter will thus be that, while Marxist state theory has provided a fruitful conceptual apparatus with which to study

state power in processes of neoliberalization, the methodological concerns which has defined the Marxist state debate remains largely unresolved.

Chapter 3 will therefore seek to provide an alternative reading of Marx which views historical materialism as a framework with which to analyze historically concrete how human beings act within the constraints of objective social relations of production. I will present a view of capitalism as an abstract totality and process which is constantly undergoing change as a result of interaction among its various concrete moments. The spatial abstractions of capitalism as elaborated in the classical works of historical-geographical materialism will be presented to conceptualize and operationalize how to approach processes of spatio-temporal change. I will also present Marx's method of abstraction to discuss how to capture this process of change in thought, or how to investigate capitalism through its concrete moments.

In **chapter 4** I seek to outline a theoretical approach to the relationship between neoliberalism and state power in line with the process-oriented historical-geographical methodology presented in chapter 3. I will present a view of neoliberalism as a political project to restore favorable conditions for capital accumulation and emphasize the inherent contradictory and uneven development of this project. I will then seek to integrate the concept of the state a social relation and the concept of neoliberalism as political project into the process-oriented Marxist methodological framework.

In **chapter 5** I outline my research strategy, discuss the relationship between case studies and theory construction, and explain my how I have proceeded from abstract theorizing to concrete empirical investigation and exposition.

Chapter 6 assesses the early rounds of neoliberalization in the Norwegian development strategy in relation to changes in wider regulation regimes in Norway from the 1970s to 1990.

Chapter 7 analyzes the neoliberal reforms of the Norwegian development strategy in relation to the internationalization of key national industries, with particular emphasis on the energy sector in the period 1989-2004.

Chapter 8 investigates the contradictory process of neoliberalization of the development strategy from 2005 onward. Particular emphasis will be made on how the development strategy has evolved in relation to the post-2008 financial crisis conjuncture.

In **Chapter 8** will present my concluding remarks by responding to my research questions and provide a discussion for the implications of the findings of this thesis.

2 The state of Marxism

Bob Jessop argues that “there can be no adequate theory of the state without a theory of society. For the state and political system are parts of a broader ensemble of social relations and one cannot adequately describe or explain the state apparatus, state projects, and state power without referring to their differential articulation with this ensemble” (Jessop 2008, p. 1). Our conceptualizations of the state are articulated through our understanding of the overall dynamics of societal change. These methodological concerns have been central in Marxist state theorizing in which the question of the state has largely revolved around how to conceptualize the constitution of state power in relation to overarching theories of the historical development of capitalism (Clarke 1991; Barrow 2002).

Among the most influential contributors to Marxist state theorizing is Nicos Poulantzas (Clarke 1991; Barrow 2002). Writing in the 1970s, Poulantzas set out to critique a tendency among Marxists at his time to treat the state as a passive instrument for class struggle void of institutional autonomy and structural constraints. Critiquing this instrumentalist view of the state, Poulantzas argued that the state should be analyzed in relation to its function within capitalist structures, as “*the factor of cohesion of a social formation and the factor of reproduction of the conditions of production*” (Poulantzas in Clarke 1991, p. 21, original italics). Poulantzas sought to elaborate a theory of the state within the Althusserian framework which emphasized how social phenomena are “fixed in the last instance by the level or instance of the economy” and consequently that “only this ‘determination in the last instance’ makes it possible to escape the arbitrary relativism of observable displacements by giving these displacements the necessity of a function” (Althusser et. al. 1965/2015 p. 591). With his Althusserian critique of instrumentalism, Poulantzas thus went to the opposite extreme, advocating a functionalist theory of the state which saw the constitution of state power merely as reflections of capitalist structures (Clarke 1991, Wood 2016).

The Marxist state debate expressed wider controversies within Marxism at the time, between class-theoretical and capital-theoretical approaches to historical development. State power tended to be analyzed *either* as an outcome of class struggle *or* in relation to its function within the objective structures of capital. In his last book, *State, Power, Socialism*, Poulantzas (1978/2014, p. 128-29) sought to overcome this instrumentalist/functionalist dualism that he himself had actively reproduced. Through his later revisions, he would provide what I regard a more fruitful concept of the state. Nevertheless, while his conceptual

revisions have proved fruitful for state analysis, Poulantzas perpetuated the structuralist methodology which reduced the state to capitalist structures, making the methodological dimension of the state debate a continued subject of controversy.

The state as a social relation

In his last book, *State, Power, Socialism*, Poulantzas sought to overcome the dualism of the state debate and argued that the state must be conceptualized “like ‘capital’, *it is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form*” (Poulantzas 1978/2014, p. 128-29). With this definition of the *state as a social relation*, Poulantzas argued that the state must be understood both in terms of its institutional materiality that gives it a certain autonomy, and as a site in which social struggle is manifested. Poulantzas’ concept of the state as a social relation has had widespread influence on Marxist state theory and will also provide a conceptual point of departure for this thesis.

According to Poulantzas’ concept of the state, then, class struggle is inscribed in the institutional materiality of the state. For Poulantzas, this implied that class contradictions, between labour and capital as well as between fractions of capital, are condensed within the state apparatus: “class contradictions are the very stuff of the state: they are present in its material framework and pattern its organization; while the State’s policy is the result of their functioning within the State” (Poulantzas 2014, p. 132). Poulantzas argued that we must thus grasp the state as “a *strategic field and process* of intersecting power networks, which both articulate and exhibit mutual contradictions and displacements” (Poulantzas 2014, p. 136). Seeing the state as a strategic field and process, Poulantzas argued that state policy is the result of divergent interest groups seeking to impose their strategies on different parts of the state apparatus. State power thus effectuates and consolidates power relations in wider society. Policies and larger state projects are therefore seldomly unified and coherent but tend to be contradictory as they are the very manifestations of the contradictions inherent to the aggregate capitalist class society. State power is maintained through a complex process of struggle within and beyond the state apparatus.

Bob Jessop, among the most influential contemporary state scholars and who has published extensively on state theory, takes Poulantzas’ concept of the state as a social relation as a point of departure for his own theorizing. I find Jessop’s conceptual elaborations

of Poulantzas' theory of the state to provide an appropriate conceptual apparatus with which to study the state in processes of neoliberalization. Jessop introduces the term strategic selectivity to Poulantzas' concept of the state, understanding the state as a "complex institutional ensemble with a specific pattern of 'strategic selectivity' that reflects and modifies the balance of class forces... the state's effectiveness is always shaped by capacities and forces that lie beyond it (Jessop 2008, p. 126). By strategic selectivity, Jessop understands how the state "has inbuilt biases that privilege some agents and interests over others; but whether, how, and how far these biases are actualized depends on the changing balance of forces and their strategies and tactics (Jessop 2016, p. 54). That is, with the concept of strategic selectivity, Jessop emphasizes the institutional *materiality* of the state. While state power expresses the balance of social forces in wider society, it simultaneously institutionalized this balance and thus materializes a specific class bias. As such, "the state considered as a social ensemble has a specific, differential impact on the ability of various political forces to pursue particular interests and strategies in specific spatio-temporal contexts through their access to and/or control over given state capacities" (Jessop 2002, p. 40)

For Jessop, the strategic selectivity of the state, or the materialization of an historically and geographically specific balance of social forces, "define the nature and purposes of state actions (and inaction) in particular periods, stages and phases of social development (Jessop 2002, p. 41). The balance of social forces materialized in the state thus creates a basis for state projects in which different parts of the state apparatus and the policies they put forward tend toward a coherent strategy. A state project, then, "seeks to impose an always relative unity on the various activities of different branches, departments and scales of the state system and that also defines the boundaries between the state and its environment as a precondition of the ongoing attempts to build such an improbable internal unity" (Jessop 2002, p. 42). State projects, which define the purposes and activities of the state, thus express the balance of social struggles, and are therefore inherently contradictory and seldomly openly and clearly expressed.

Consequently, state projects "more often emerges only ex post through collision among mutually contradictory micro-policies and political projects formulated in different parts of the state system. Hence, although the general line of the state's policy is certainly decipherable in terms of strategic calculation, it is often not known in advance within and by the state. It should not be seen as the rational formulation of a coherent and global project. This explains state policy in terms of a process of strategic calculation without a calculating

subject” (Jessop 2008, p. 128). In short, state projects are seldomly unified, coherent and predictable, but are the expression of the materialization of a particular balance of forces within the state in which specific interest groups have their strategic wants and needs dominating state policies, but always within a process of contestation and contradictions. The actions of state officials and politicians should thus be seen in relation to the institutionalization of wider social relations in state projects. In this way, state power is “activated by changing sets of politicians and state officials located in specific parts of the state, in specific conjunctures. Although these ‘insiders’ are key players in the exercise of state powers, they always act in relation to a wider balance of forces within and beyond a given state. To talk of state managers, let alone of the state itself, exercising power masks a complex set of social relations that extend well beyond the state system and its distinctive capacities” (Jessop 2016, p. 57).

While the concept of strategic selectivity marks a further contribution to Poulantzas’ concept of the state as a social relation, it simultaneously marks Jessop’s break with Poulantzas’ methodological approach to state analysis.

The strategic-relational approach: Jessop beyond Marx

While transcending the state as thing-or-subject dualism, the late Poulantzas maintained his capital-theoretical structuralist theory of history. When engaging in the state debate, Poulantzas had argued that a Marxist theory of the state did not entail a study of actually existing historical states, but of formal-conceptual abstractions. He argued that the economic structure of the capitalist mode of production (CMP) is inherently contradictory and necessitates a separate political structure to maintain, monitor and restore its equilibrium as a system. For the early Poulantzas then, the state was primarily interesting in its functional sense, as serving as a regulating factor to countervail the contradictions of capital (Barrow 2002). Although Poulantzas sought to overcome this functionalist-structuralist approach in his later work *State, Power, Socialism*, his later revisions perpetuate a structuralist methodology in which the state is defined in relation to its function in the structure and not in relation to real historical societies.

In *State, Power, Socialism*, Poulantzas is at pains to retain an analytical distinction between the abstract category of the CMP and the concrete category of social formation in state analysis. Where the CMP is an “abstract-formal object in its economic, ideological and political determinations”, the social formation is the “articulation of several modes of

production at a given historical moment” (Poulantzas 2014, p. 25). Social formations are “the actual sites of the existence and reproduction of modes of production. They are thus also the sites of the various forms of State” (Poulantzas 2014, p. 25). Poulantzas adopted this distinction from Althusser, who distinguished between the CMPs as the conceptual abstraction of ‘pure’ capitalist structures and the complexity and contingency of historical societies (Blackledge 2006, p. 164). In maintaining the separation between modes of production and social formations, Poulantzas has been critiqued for perpetuating a structuralist methodology which separates Marxist theory from historical processes in which “practice is strictly subordinate to structure and inevitably condemned to maintain the latter” (Clarke 1991, p. 86). Consequently, “the operation of the state does not express the power of the dominant class in relation to other classes and to the structure, but the ‘power’ of the structure in relation to all classes, for it can do nothing else but perpetuate the unity of the structure to which it is functionally adapted (Clarke 1991, p. 87). Likewise, Ellen Meiksins Wood (2016, p. 56) argues that Poulantzas’ separation between conceptual constructions of modes of production and historical societies makes for an analysis in which “a state is capitalist, then, not by virtue of its connection to capitalist relations of production but by virtue of certain structural characteristics derived by autonomous theoretical constructions from an abstract formal CMP” (Wood 2016, p. 56). Jessop similarly critiques Poulantzas’ inclination to reduce state analysis to analyses of abstract-formal concepts. But whereas Clarke and Wood critique Poulantzas for distorting the foundations of historical materialism, Jessop argues that the shortcomings of Poulantzas’ methodology express the inherent limitations of the Marxist theory of history.

Historical and formal constitution of state power

Jessop’s concept of strategic selectivity implies a concept of state power as an explanandum and not a principle of explanation (Jessop 1982, p. 225). That is, to study the state implies to study the constitution of state power in specific spatio-temporal contexts. For Jessop, such investigations are best provided through studies of the *historical constitution* of state power by paying attention to “the open struggle among political forces to shape the political process in ways that privilege accumulation over other principles of societalization. The guiding questions are how politics and policies acquire a particular content, mission, aims, and objectives and to what extent they are more or less adequate to securing the economic and extraeconomic conditions that sustain differential accumulation in a given conjuncture” (Jessop 2016, p. 115). Marxism, Jessop argues, is unable to conduct such historically concrete

research because it is concerned merely with the *formal constitution* of state power, that is, how the state “has an inbuilt, structural privileging of capitalist interests (Jessop 2016, p. 115). According to Jessop, Marxism is merely concerned with abstractions that privilege economic class relations and thus excludes “the messiness of configurations of class power that is revealed by concrete analysis (Jessop 2016, p. 119). For Marxism, Jessop argues, social complexity “at best figure as factors that overdetermine class domination or change as response to changes therein” (Jessop 2016, p. 119). Hence, Marxism cannot account for the strategic selectivity of state power because it is concerned with analyses of economic relations located in the capitalist CMP, whereas “the state is located on the terrain of the social formation rather than the pure CMP and is also the site of non-class relations as well as class relations” (Jessop 1982, p. 222). Consequently, he argues, “outside a fully imaginary pure capitalist economy, then, capitalism is structurally coupled to other systems and the lifeworld” (Jessop 2002, p. 26).

This is to say that Jessop sees the Althusserian distinction between the theoretical construct of pure economic structures located in the CMP and the complexity and contingency of real historical societies conceptualized in the social formation, which is reproduced in Poulantzas’ state theory, as inherent to Marxism. According to Jessop, then, proceeding from the abstract arguments of Marxism and toward concrete investigations of the state, we therefore have to go beyond Marx in order to capture the complexity of the real world which encompasses a range of social relations alien to Marxist theory. Jessop has thus proposed his own *strategic-relational approach* to study the state as a social relation, with which he refutes attempts to confine state analysis to one single theory, and aims instead to include a broad range of theoretical and political standpoints in state analysis that can offer a heuristic which supports a “(meta)theoretical, epistemological, and methodological pluralism in analysing the state” (Jessop 2016, p. 2). Only by combining theories and methodologies, is it possible to escape the purely conceptual abstractions of Marxism and instead trace the historical constitution of particular configurations of state power.

Jessop’s critique of Marxism is typical for the post-Marxist tradition, devised by scholars who sought to transcend what they saw as abstract economic reductionism in Marxism. As I will seek to show, however, Jessop conflates Marxism with structuralism and in so doing, as Clarke argues, Jessop

“fails to overcome the limitations of that approach. The ‘value form’ continues to play the role of an external ‘economic’ structure, which passively defines the limits within which the

‘class struggle’ and historical contingency can determine the course of accumulation. This both exaggerates the extent to which the material aspects of capitalist production constrain the development of the class struggle, in treating them as an external force, and underestimates the extent to which the class struggle is objectively determined, in disregarding the extent to which class struggle is a struggle over the reproduction of capitalist relations of production” (Clarke 1991, p. 45).

While I will draw on Poulantzas and Jessop’s concept of the state as a social relation, I disagree with their methodological frameworks. Contrary to Jessop’s arguments, I will try to provide a reading of Marx which emphasizes the structural dynamics of capital as politically constituted. In my disagreement with Jessop’s methodological refutation of Marxism, then, I find the methodological dimension of Marxist state theory to remain largely unresolved. Complying with Jessop’s own proposition, that a theory of the state entails a theory of societal change, I will therefore dwell with the methodological dimensions of historical materialism with the aim to integrate the concept of the state as a social relation into a Marxist theory of history and geography which pays attention to how people act within the constraints of specific social relations of production. This framework will provide me with a theoretical point of departure with which to engage in an historical analysis of the neoliberalization of the Norwegian development strategy and its relation to state power.

3 Revisiting historical materialism

Historical materialism is Marx's theory of history, with which Marx is concerned with the notion of historical change, or how to locate the driving forces of change in capitalist society. The interpretation of historical materialism which will be presented in the following, is based on the insistence that historical change is forged by human beings acting within the constraints of objective conditions specific to each historical society. This assertion is summarized in Marx's often cited remark from the *Eighteenth Brumaire*, asserting that "men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living" (Marx 1937). The rationale behind this lies in Marx's ontological realism and epistemological constructivism. The most thorough discussion Marx left us with concerning these philosophical assumptions is found in the 1857 Introduction to the *Grundrisse*, in which Marx seeks to explicitly elaborate a method for his critique of political economy.

In the introduction to the *Grundrisse* we find that

"The totality as it appears in the head, as a totality of thoughts, is a product of a thinking head, which appropriates the world in the only way it can... The real subject remains outside the mind and independent of it - that is to say, so long as the mind adopts a purely speculative, purely theoretical attitude. Hence the subject, society, must always be envisaged as the premiss of conception even when the theoretical method is employed" (Marx 1986, p. 38-39).

Here Marx presents his philosophical assumptions in a double movement. He stresses the existence of reality independent of the consciousness of the people who live through it. At the same time, however, Marx asserts that our conceptualizations of this reality enable us to forge changes to reality. Our knowledge of the real world "is mediated through the construction of concepts in which to think about it; our contact with reality, in so far as we become aware of it, is contact with a conceptualized reality" (Ollman 2003, p. 24). Our knowledge of reality is socially constructed in the sense that it has no existence outside the activity of living human beings, and as such our ideas of reality will not in themselves forge historical change. However, by elaborating social theory which enables us to capture the real logic and dynamics of social relations, we can escape the 'purely theoretical attitude' and intervene with social structures and thus change them. While the laws of social reality exist

independent of human consciousness, social reality is at the same time “constructed from the collective results of individual *action* through processes beyond any particular individual’s control” (Foley 2006, p. 91, my italics). Let us examine this proposition.

The historical specificity of capital

Marx’s realist ontology is materialist in that he has a particular understanding of what is objectively given. Through labour, human beings mediate the metabolism between themselves and nature “in order to appropriate the materials of nature in a form adapted to his own needs. Through this movement he acts upon external nature and changes it, and in this way he simultaneously changes his own nature” (Marx 1976, p. 283). The formation of human nature through the act of labour is an essential human characteristic. We can thus speak of *production in general*. However, the category of production in general is only of interest to us insofar as it can tell us something about the specific characteristics of present society, that is, of capital and its laws of motion.

Marx critiqued the classical political economists for conflating production in general and historically specific social relations of production. The classical political economists tended to regard the economic categories of capital, wage labour and the like as universal categories, essential to the division of labour and hence to human nature. Taking these categories “not as a historic result but as history’s point of departure; not as something evolving in the course of history, but posited by nature” (Marx 1986, p. 18), they tended to assign them to all of history, or to project capitalist social relations into the past. Thus, capitalist production is presented as “governed by eternal laws independent of history, and then *bourgeois* relations are quietly substituted as irrefutable natural laws of society” (Marx 1986, p. 25, original italics). The immediate consequence of this *eternalization* of historically specific social relations is that it treats the capitalist economy in abstraction from its social determinations, and thus effectively divorces the ‘economic’ from social processes. As a result, capital is posited as external to human practice and thus also to political intervention.

Historicizing capital allows Marx to establish the historical specificity of capital by differentiating between the essence of human nature, its *species being*, and the historically and socially constructed logic of capital which conditions certain forms of socialization. With historical materialism, then, Wood argues that “Marx replaced teleology with history – not history as mere contingency, nor history as a mechanical succession of predetermined stages or a sequence of static structures, but history as a process with its own causalities, constituted

by human agency in a context of social relations and social practices which impose their own demands on those engaged in them” (Wood 2018, p. 90).

Consequently, the fundamental implication of the principles of historical materialism with its insistence on the historical specificity of capital, its distinctive social relations of production and laws of motion, is the social construction of capitalist structures in which historical change is contingent on people acting within the constraints of specific social relations of production. In other words, the social relations of production which are specific to each historical society constitute specific conditions of activity within which human agency must operate, implying that capitalist structures themselves are produced and reproduced by human practice. We see, then, how historical change is carved out by human practice, which in turn is forged by the interaction between objective conditions and subjective consciousness. Consequently, the object of Marxist theory “is a *practical* one, to illuminate the terrain of struggle by viewing modes of production not as abstract structures but as they actually confront people who must act in relation to them” (Wood 2016, p. 25). “Over time”, Duncan Foley argues, “the collective actions and decisions of millions of people can fundamentally alter the resources and institutions of society, though not necessarily as the result of their conscious intentions. It is in this sense that Marx’s materialism is historical” (Foley 2006, p. 91)

Marx thus provided a framework with which to capture how the subjective individual acts and reacts within the constraints of objective conditions, paving the way for an understanding of history and capitalism as process, in which “the relations and processes in which production relations - relations of exploitation, domination and appropriation - shape or exert pressure upon all aspects of social life *at once and all the time*” (Wood, 2016, p. 62, *my italics*). Historical materialism thus enables us to reveal the imperatives of profit maximization and competition inherent to the economic logic of capital “not as an abstraction but as an operative historical principle visible in the daily transactions of social life, in concrete institutions and practices outside the sphere of production itself” (Wood 2016, p. 67). And it is up to empirical investigation to determine the particular ways in which the structural pressures exerted by social relations come to operate in the formation of society, in our case, the historical constitution of state power.

Marx’s critique of the classical political economists is pertinent for the purpose of this thesis. Poulantzas’ distinction between capitalist structures and the complexity of historical societies perpetuates the logic of the classical political economists in that it treats the dynamics of capitalist structures in abstraction from social processes. Furthermore, I showed

in the introduction to this thesis that there is a tendency within contemporary development thinking to treat ‘globalization’ as a process through which the capitalist economy liberates itself from its political constraints. Contrary to this naturalization of capital, through which the ‘economic’ is analytically divorced from the ‘political’ I argue that historical materialism highlights the political constitution of capital’s economic imperatives. Furthermore, and contrary to Jessop’s critique of Marxism, I argue that historical materialism provides a fruitful methodological framework with which to analyze concrete historical processes. This argument will be elaborated and finally operationalized for the purpose of my historical analysis throughout the next chapters.

The philosophy of internal relations

Marx’s ontology, then, entails a view of reality that is constituted by historically specific material relations in a process of constant change. Moreover, Marx’s materialist ontology involves a view the determinants of historical change as internally related (Ollman 2003). Capitalist society is understood as an abstract totality which is constituted by the interaction of its various concrete parts. The distinction Marx sets up between capital in general and many particular capitalists may help to illustrate this philosophy of internal relations, and how it forms his ontology. Marx refers to the concrete movements of diverse individual capitalists in competition with each other in the production and realization of surplus value as *many capitals*, whereas the concept of *capital in general* entails the abstract notion of ‘capital as such’, the totality of the various movements and interactions of the many capitals (Marx 1986, p. 378). Hence, capital in general appears only as an abstraction that grasps the specific logic and dynamics of capital as it is constituted in aggregate by many capitals (Rosdolsky 1977, p. 46).

The abstract notion of capital in general as constituted by the concrete determinations of many capitals provides the framework with which Marx treats the relationship between the totality and particularities. Marx critiques the classical political economists for treating the different spheres of the economy; production, distribution, exchange and consumption as independent and autonomous from each other. Production is presented as isolated from distribution, and distribution as isolated from consumption etc. Opposing this fragmented conception of the capitalist economy, Marx puts forward a conception of capital as value in motion which, as it passes through its circuit and is incremented, undergoes various metamorphosis of form. As capital circulates from production to distribution, exchange and

consumption, it takes forms such as money, machinery, commodities etc. that are all “elements of a totality, difference within a unity” (Marx 1986, p. 36). It is erroneous to see the different moments of the capitalist economy as separated from each other, as they all constitute each other in forming a totality, or an organic unity.

The general - the totality - is thus constituted by many particular determinations. The existence of many capitals is presupposed by the existence of capital in general, in the same way that capital in general is constituted by the many, concrete capitals. The totality cannot exist without its various moments, just as the particular moments are determined by the totality of relations in which they interact.

This dialectic of totality/particularity is not reducible to the capitalist economy. On the contrary, it constitutes the analytical apparatus with which Marx approaches capitalist society as such. In this way historical materialism is fundamentally opposed to what David Harvey calls a ‘single bullet’ theory of social change (Harvey 2019). Historical materialism cannot be reduced to a theory of social change which one-sidedly pays attention to the economy *or* class struggle as the single driver of historical change. Rather, as Harvey points out, “in Marx’s substantive work, there is no prime mover, but a mess of often contradictory movements across and between the different moments that have to be uncovered and worked out” (Harvey 2019, p. 114). It is precisely this notion of single bullet theorizing that Marx critiques the classical political economists for committing when fragmenting reality into different isolated spheres in which ‘production’ can end up as an isolated determinant. At a particular time and place, one or several moments of the totality play a leading role in “disrupting existing configurations or in stubbornly resisting change” (Harvey 2019, p. 114). It is the role of the scientist to trace the determinants of this change in specific configurations of space and time and to determine what room for maneuver this allows for human agency. Marx’s method of abstraction can help us in this endeavor.

Marx’s method of abstraction

We have seen that Marx’s epistemology implies that conceptualizing and theorizing social reality preconditions how we act, and hence how it is that we seek to change the world. This then raises the question - which, it follows, is both a political and a ‘scholarly’ one - of how to capture, or conceptualize, the objective social processes that take place relatively independent of our consciousness of them.

The answer to this lies in the way in which, as we saw Marx formulate it, ‘the thinking head appropriates the world’, or how we capture change and interaction in thought. Marx does this by way of his method of abstraction. In his process of abstraction, Marx breaks the totality in which he is interested into manageable parts, analyses the different parts in isolation from each other, before he reasserts them into the totality in order to give the totality a new meaning. Knowledge for Marx is the layering of abstractions in a particular order in order to reproduce important features of the particular social processes under scrutiny (Foley 1986). For Marx, then, “a proper use of the method of abstraction ‘evaporates’ concrete reality into abstractions in order to reassemble an analyzed picture of concrete reality as the product of those same abstraction” (Foley 2011, p. 21).

The method of abstraction, in other words, is a way of analyzing the whole through its different parts and is a fundamental part of Marx’s epistemology. “The concrete is concrete”, he argues, “because *it is a synthesis of many determinations, thus a unity of the diverse*. In thinking, it therefore appears as a process of summing-up, as a result, not as the starting point, although it is the real starting point, and thus also the starting point of perception and conception” (Marx 1986, p. 38, my italics). The concrete and empirically observable phenomena that appear before us must be understood in relation to the abstract logic of the capitalist system in aggregate. This is not to say that capital is a structure existing in an independent abstract sphere, imposing itself on individuals or groups in society, but that these individuals and groups themselves personify, and indeed are conditioned by the system in which they interact. It simply means that we can never treat the empirically observable as independent from the abstract totality of capital, just as the abstract totality can only be understood by empirical investigation. We must hence elaborate the logic of the totality by diving into the concrete. And the investigation of the concrete moments will provide new insights into the logic of the totality.

An immediate implication of the dialectic between the totality that makes up capital in general and its various concrete moments is that everything is related to everything. This would, in Marx’s own terms, result in a mere tautology without further specification. We must thus determine what concrete moments are of importance to understand the totality in order to avoid such a tautology. Bertell Ollman (2003) helps us doing this by distinguishing between three aspects of the method of abstraction: abstractions of extension, vantage point and level of generality. The abstraction of extension delimits the research to a certain spatial and temporal extension by setting boundaries in time and space for the process under investigation. The level of generality is directly in line with Marx’s critique of the classical

political economists for eternalizing social relations specific to capitalism. With Ollman's concepts, the classical political economists conflated different levels of generality, ending up by eternalizing what is historically specific. Ollman identifies several levels of generality, going from the most specific, the level made up of whatever is unique about a person or a situation, to what is general to people under modern capitalism, capitalism as such, to class societies through production in general which makes up what is essentially human, the species being. What is important to note here, is that choosing a particular level of generality is not a question of which level is more or less true. The relevant question in the process of abstraction, Ollman holds, is "which is the appropriate abstraction for dealing with a particular set of problems?" (Ollman 2003, p. 91). While the state can be traced back into several modes of production, to understand state power requires an analysis of the specific social relations in which state power is forged. For example, an analysis of the state in contemporary society may need to pay close attention to both the level of generality of capital as such and capital's more recent neoliberal configuration.

The last aspect of the method of abstraction is the choice of vantage point, which is an act of abstraction with which the "same relation is being viewed from different sides, or the same process from its different moments" (Ollman 2003, p. 100). The choice of vantage point is of particular importance to Marx. In planning to write *Capital*, he sought to investigate the totality of capital from different vantage points. It cannot be the purpose, he argues

"simply to make general reflections on this unity. Our concern is rather to discover and present the concrete forms which grow out of the *process of capital's movement considered as a whole*. In their actual movement, capitals confront one another in certain concrete forms, and, in relation to these, both the shape capital assumes in the immediate production process and its shape in the process of circulation appear merely as particular moments" (Marx 1981, p. 117, original italics).

Hence, in *Capital* Marx treats the totality of capital from the vantage points of production (vol. 1), circulation (vol. 2) and particular capitals in competition for the realization of surplus value (vol. 3). His original plan for *Capital* however, was more ambitious than this. His initial plan, as stated in the *Grundrisse*, was to extend his vantage points to also analyse capital from the vantage points of the state, the international relations of production and the world market (Marx 1986, p. 45).

The concrete case study of the trajectory of the Norwegian development strategy that will be conducted in this thesis, will seek to provide a vantage point from which to shed light on the more abstract relation of state power in the process of neoliberalization in Norway. This, in turn, will (hopefully) provide insights into the abstract totality of the recent development of capitalism as such.

Spatial abstractions in Marxist analysis: Uneven geographical development

Up to this point we have assumed a fully developed and homogeneous totality, a totality considered as a closed container. This assumption of absolute space rests on a particular abstraction, in which the vantage point of history and time is privileged over geography and space. If we are to consider the neoliberalization of the Norwegian development strategy and its relation to state power, we have to depart from this simple abstraction of a fully and homogeneously developed totality and consider capitalism as it develops from the vantage point of space. This has been the main subject of scrutiny for Marxist geographers who have added a spatial abstraction to Marx's works and thus elaborated a theory of uneven capitalist development.

The imperatives of capital accumulation and the crisis tendencies inherent to this imperative makes spatial expansion necessary for capital. This tendency toward spatial expansion, which will be explained in more detail below, explains the universalizing propensity of capital in which the tendency to "create the world market is inherent directly in the concept of capital itself. Every limit appears as a barrier to be overcome" (Marx 1986, p. 335). The tendency toward universalization, however, is not a self-fulfilling prophecy. As capital expands, the inner contradictions of capital as well as the social and natural landscape upon which it develops imposes limits to its expansion. These barriers to capital expansion are as integral to the concept of capital as is the drive toward universality, and it is through these contradictions that the capitalist totality is constituted. Hence Marx argued that, as capitalism develops,

"the new productive forces and relations of production do not develop out of *nothing*, or out of thin air, or from the womb of the Idea positing itself, but within and in contradiction to the existing development of production and inherited, traditional property relations. If in the fully developed bourgeois system each economic relationship presupposes the other in a bourgeois-

economic form, and everything posited is thus also a premiss, that is the case with every organic system. This organic system itself has its premisses as a totality, and its development into a totality consists precisely in subordinating all elements of society to itself, or in creating out of it the organs it still lacks. This is historically how it becomes a totality. Its becoming this totality constitutes a moment of its process, of its development” (Marx 1986, p. 208).

Despite passages like these, in which Marx defines capitalism by the very process of becoming - in which the capitalist totality is developed within and in contradiction to inherited social relations - Marx tended to abstract from this developmental process. The emergence of capitalism in the English countryside through the process of original accumulation is well depicted in *Capital* (see pt. 8 in Marx 1990), but the further expansion of the system is normally excluded from Marx’s analysis. Instead, Marx tended to treat capital in its already established form: “in order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances”, he writes in *Capital vol. 1*, “we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry” (Marx in Smith 2010, p. 128). Hence Marx, in his theorization of capital, tends to abstract a closed system in which all spheres of global society are evenly subsumed to the logic of capital. This abstraction is clearly unsatisfactory for human geographers concerned with the spatial dimensions of capitalist development and the integration of the global market.

Rather than abstracting a pre-established totality, Marxist geographers have sought to theorize the coming into being of this totality, that is, how capitalism develops in geographical space, elaborating an *historical-geographical materialist* approach. Historical-geographical materialism is concerned with the essentially uneven nature of capitalist development, arguing that the totality of capital does not tend toward equalization but develops in a contradictory seesaw movement between equalization and differentiation (Smith 2010). Uneven development, and hence the variegated nature of capitalist totality, arises out of the spatial barriers that capital encounters in its process of expansion.

There are several dimensions to the concept of uneven development, but the scope of this thesis permits the elaboration of only one of these dimensions, which is the inner-outer-dialectic of capital that is captured in Harvey’s theory of the spatial fix. The theory of the spatial fix conceptualizes how spatial expansion and geographical restructuring function as countervailing tendencies to capitalist crises of overaccumulation, in which overaccumulation of capital within a particular space is compensated for through a spatial release of these

surpluses and the fixing of capital in new spaces to allow continued accumulation (Harvey 2001, p. 26). The *inner* contradictions of capital are thus alleviated, or fixed, through *outer* expansion. There is a general tendency inherent in capital to produce crises of overaccumulation within a given territory. Perpetual growth by capital accumulation tends to result, in the long run, in the production of capital surpluses that exceed the profitable outlets available for these surpluses in a given space. That is, there is more money-capital available than there are projects to recycle this money in, meaning that there are few options available for expanded reproduction. To avoid devaluation, and hence to sustain accumulation, profitable ways must be found to absorb the capital surpluses. There are potentially two ways to absorb such surpluses, either by “temporal displacement through investments in long-term capital projects or social expenditures” or by “spatial displacements through opening up new markets, new production capacities, and new resource, social, and labour possibilities” (Harvey 2003, p. 109). Through spatial displacements, the inner contradictions of capitalism can be resolved, temporarily at least, through “outer transformations”, or geographical expansion (Harvey 2006a, p. 427).

The inner contradictions of capital can thus be alleviated by spatial expansion, a process through which capital’s *outer* contradictions are manifested when external space is sought integrated into the totality of capitalism. As capital expands, it encounters a variegated geographical landscape upon and within which it develops, both in terms of natural conditions and localized social relations (Harvey 2006a, p. 416). Neil Smith (2010) refers to this outer contradiction as a process of subsumption and integration, in which “external” space is integrated into the world capitalist system as “internalized externals” (p. 188). And as capital expands, external space is increasingly internalized and produced within the global geography of capitalism. Consequently, as “this absolute expansion approaches the limits of the global scale, the *formal* aspects of spatial integration through the world market are increasingly subsumed beneath a tendency toward *real* spatial integration” (Smith 2010, p. 186). This process of integration and subsumption does not imply the imposition of capitalist imperatives, but a *contradictory process through which localized and inherited social relations respond and shape the totality*. Marx is explicit in this in the 1857 Introduction,

“The categories which express its [bourgeois] relations, an understanding of its structure, therefore, provide at the same time, an insight into the structure and the resolutions of the production of all previous forms of society the ruins and components of which were used in the creation of bourgeois society. Some of these remains are still dragged along within

bourgeois society unassimilated, while elements which previously were barely indicated have developed and attained their full significance etc. The anatomy of man is a key to the anatomy of the ape” (Marx 1986, p. 42).

The development of capitalism is thus a process of subsumption and integration, in which the extension of capitalist laws of motion transform social relations into capitalist social relations through the separation of the direct producers from the land etc, while at the same time local contexts shape the process of change. The process of capitalist development is, therefore, an “historical dynamic of change within continuity” (Wood 2016, p. 68).

The theory of the spatial fix thus seeks to explain the dynamics of capital from a vantage point of geographical space and the tendency toward geographical expansion. From this vantage point, we see that the capitalist totality is continuously restructured according to the inner/outer dialectic, or how new geographical space and spheres of society are subsumed to the logic of capital in a process of reciprocal influence. We see, then, that what Marx termed the original, or primitive accumulation, is in fact an ongoing process and a defining characteristic of the development of contemporary capitalism. Marx described original accumulation as the “historical process of divorcing the producer from the means of production”, which is what “creates the capital relation... whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-labourers” (Marx 1990, p. 874-75). Original accumulation is the process whereby the enclosure of the commons took place in Britain through commodification and privatization of land and the conversion of traditional property forms into private property over the land and other means of production. The state, with its monopoly of violence and legal authority, played a crucial role in the implementation and promotion of this process, as it often involved violent evictions of peasant producers from the land and forced proletarianization.

As all the features of primitive accumulation remain essential features of contemporary capitalist development, Harvey (2003) has substituted the terms original and primitive accumulation by the concept of *accumulation by dispossession*. Accumulation by dispossession thus aims to conceptualize the ongoing process of expansion of capitalist social relations - or in Smith’s terms, of subsumption and integration of new geographical spaces. Spatial fixes are often entirely dependent on the process of accumulation by dispossession, as new spheres of society and new territories have to be opened up, often by direct state coercion, to capital accumulation. The concept of accumulation by dispossession has become

particularly relevant with the emergence of neoliberalism. Harvey (2003) argues that the post-war years of the social democratic order were characterized by the dominance of temporal displacements through the construction of large-scale industry and infrastructure that absorbed labour power and capital. The stagflation crisis of the 1970s and 80s, which will be dealt with below, can to a large extent be seen as the crisis of the regime of temporal displacements of capital surpluses. In lack of new projects at home from the 1970s onward, spatial displacements have become the preferred option for crisis mitigation, and the recent decades of neoliberal 'globalization' can thus be seen as "the contemporary version of capitalism's long-standing and never-ending search for a spatial fix to its crisis tendencies" (Harvey 2001, p. 25). Neoliberal policies have to a large extent been about the opening up of new markets for the ever-expanding need for surplus alleviation.

The dependency on state coercion in processes of spatial fixes means that the search for state power has been crucial in recent decades: "the opening up of new territories to capitalist development and to capitalistic forms of market behaviour... to occur required not only financialization and freer trade, but a radically different approach to how state power, always a major player in accumulation by dispossession, should be deployed" (Harvey 2003, p. 156). With these remarks on the inner-outer dialectic of capital and the necessity of state power in processes of spatial fixes, I will now turn to the concept of neoliberalism and its relation to state power.

4 State power and neoliberalization

In the previous chapter I presented an approach to historical materialism that highlights the notion of historical and geographical *processes* forged by people acting within specific social relations of production. Capitalism is thus seen a system defined by its process of development, in which capitalist expansion, engendered by capital's inherent crisis tendencies, transforms traditional social relations into market relations while these traditional social relations simultaneously forge changes to the totality of the capitalist system. This process-oriented approach to Marxism is based on an understanding of capitalism not as an economic, but as a social system, a social totality that is constituted by practice. Marxism, then, does not suppose a “fully imaginary pure capitalist economy” opposed to “other systems and the lifeworld”, which Jessop critiques Marxism for assuming (Jessop 2002, p. 26). Instead, it provides a framework with which to analyze how concrete processes simultaneously internalize and bring about changes the logic of the totality. To state that capitalism is first and foremost a social system conditioned by historically specific social relations of production has major consequences for how we approach neoliberalism and its relation to state power. I will briefly discuss the concept of neoliberalism before establishing the theoretical framework with which I will analyze the historical process of neoliberalization of the Norwegian development strategy.

The dualist logic of the neoliberalism debate

As a concept which aims to establish some coherence and unitary logic across a process that has developed unevenly in time and space, the concept of neoliberalism has been widely contested. At the same time, the practical processes of neoliberalization often depart significantly from the templates depicted by neoliberal theory, in particular regarding the role of the state (Harvey 2005). Consequently, the concept of neoliberalism has become subject to intense disagreements and debates regarding the trajectory of post-1980s capitalist development (Brenner, Peck & Theodore 2010). Analogously with the state debate, the neoliberalism debate raises methodological questions on how to understand capitalism and its development. My discussion about neoliberalism will therefore bear in mind the outline for a Marxist methodology I have depicted above.

Brenner, Peck & Theodore (2010) argue that the neoliberalism debates has been characterized by an unproductive binary opposition between “representations of

neoliberalism as an omnipresent, hegemonic force, on the one hand, and its depiction as an unstable, hybrid and contextually specific presence, on the other” (p.184). Where the former is often forwarded by Marxists with a structuralist inclination, the latter is common to varieties of capitalism (VoC) scholars and poststructuralists. Poststructuralists and VoC scholars tend to reject any stable and coherent logic uniting neoliberal processes across national borders. The VoC literature, argue Brenner, Peck & Theodore (2010) adopts a methodological nationalism that treats neoliberalism as a real-world replication of an ideal-typical model derived from neoliberal ideology or philosophy. A country can be said to become neoliberal, then, only when national regulatory regimes undergo systemic ruptures that replace old national regimes with a neoliberal regime that reflects the ideal-typical model of neoliberal philosophy. In the absence of such systemic ruptures, and despite processes of institutional adjustments, the VoC literature tends to hold that each national regime type would maintain its essential character and hence resist neoliberalism (Brenner, Peck & Theodore 2010, p. 189). The limitation of this approach, Brenner, Peck & Theodore (2010, p. 189) argue, is that it “offers little analytical insight into the evolutionary trajectories of neoliberalizing reform projects”.

More structurally inclined scholars have sought to counter the pluralist approach of the VoC literature and poststructuralism, but have, as Brenner, Peck & Theodore (2010) point out, tended to perpetuate the lack of analytical insights into evolutionary trajectories by treating neoliberalism as a “unidirectional logic of domination in which global and supranational institutional forms impose relatively rigid disciplinary constraints upon national states” (Brenner, Peck & Theodore 2010, p. 198). Despite their disagreements, the VoC literature and the structuralist approaches have in common the methodological procedure we find in Poulantzas, in which structures are separated from historical societies, and neoliberalism is assumed to be an autonomous structure or idea that is more or less capable of superimposing itself on societies. According to these approaches a society can be said to be neoliberal to the extent that it reflects an ideal-typical thought construct of neoliberal ideas/structures. This dualist approach to neoliberalism, in which both parties of the debate share a common idealist approach to capitalist development, has tended to be reproduced in accounts of neoliberalism in the Norwegian context, in which the dual logic of structures versus contingency has been perpetuated by a binary between historical ruptures and continuity.

Norway - an exceptional case?

In Norway, market-oriented reforms were first implemented at grand scale with the conservative Willoch Government from 1981-86. The process of marketization will be explained in more detail in chapters 6-8, what is important to us at this point is the conceptual approach to neoliberalism that is found in Norwegian debates. According to Berge Furre (1993, p. 425), the Willoch Government and its market-oriented reforms represented a *system shift*. The bedrock of social democracy disintegrated as liberalizations and deregulations were undertaken throughout Norwegian society, he argues. Furre's notion of system shift has been contested by scholars who argue that the reforms undertaken by the Willoch and Brundtland Governments show more signs of continuity than a break with the social democratic order. Sejersted (2000) argues that the Willoch and Brundtland reforms represented a system consolidation rather than a system shift. Sejersted asserts that the class compromise of the post-war period had been challenged by the economic turbulence of the 1970s and 80s and the radicalization of the Labour Party in the 1970s that "introduced policies that went beyond the established social democratic order. The Party launched policies with a socialist character" (Sejersted 2000, p. 117, my translation). The reforms implemented by Willoch were a remedy, a means to repair the old order of the institutionalized class compromise, Sejersted argues. The marketization was thus a necessary stabilizing measure to consolidate the old order in a new international conjuncture. The class compromise institutionalized in the state has remained powerfully intact, and state management and control over the market has remained a fundamental feature in Norwegian society after the market-oriented reforms in the 1980s and 90s, meaning that social democracy persisted after the 1980s, Sejersted argues.

Similarly, Jan Heiret (2003b) opposes Furre's notion of system change and tendencies to treat the reforms of the 1980s and 90s in terms of conceptual dualisms such as "*from state to market, from centralization to decentralization, from regulation to deregulation and from nation-state management to a new global economy*" (p. 179, original italics, my translation) by asserting that the market reforms of the 1980s and 90s did not mark a break with the social democratic order. On the contrary, Heiret argues, "if we regard the faith in a state-controlled modernization program based on the construction of industry and the extension of the welfare state as the core of the social democratic order, we find clear patterns of continuity" (Heiret 2003b, p. 182). Focusing specifically on labour relations, he argues that "the stability in the institutional system stands in sharp contrast to the predictions about hasty and fundamental

societal epoch shifts that have had influence on the public debate in the years after 1978” (Heiret 2003, p. 179).

Similarly, Lars Mjøset (2011) is hesitant to operate with the concept of neoliberalism in the Norwegian context. To understand Norwegian capitalism since the 1970s, he argues, “we must first identify the varieties of capitalism, and thereafter *investigate whether neoliberal ideas through political parties or other organizations and movements have influenced our context*” (Mjøset 2011, p. 93, my translation, my italics). Neoliberal theory, which holds that the “market economy would be isolated from politics, it would be constitutionalized as a fundamental frame of reference for the organization of economy, society and state” (Mjøset 2011, p. 55), has to a limited extent influenced Norwegian policy making. In Norway, Mjøset argues, the system of centralized income settlement has remained intact, the oil sector remains largely state managed and Keynesian countercyclical policies have continued to be implemented after the 1990s (Mjøset 2011, p. 92). Hence, the state remains important, meaning that the specific variety of Norwegian capitalism to a limited extent can be said to have become neoliberal.

We can understand Mjøset’s hesitancy toward the concept of neoliberalism in the Norwegian context on the basis of his understanding of neoliberalism as a political-philosophical concept, in which, as we saw him formulate it, neoliberalization of a specific historical society must be investigated on the basis of whether the reality of that society reflects *neoliberal ideas*. This approach sees neoliberalism primarily as an ideology, as a thought construct, that has (or failed to) dictated practical and concrete policies. A society can be said to have become neoliberal on the basis of the extent to which the political reality of society reflects the neoliberal ideas promulgated by Hayek, Friedman & co. If actually existing historical societies do not reflect this thought-construct, then the theory can be dismissed. Mjøset’s approach is thus in line with what Brenner, Peck & Theodore (2010, p. 209) identify as the concept of neoliberalism as a political-philosophical concept in which “the continued presence of regulatory uneven development and the intensification of *ad hoc*, trial-and-error forms of institutional experimentation [is presented] as evidence for the ‘limits’ of neoliberalization processes. This viewpoint hinges on the untenable assumption that under ‘normal’ circumstances, neoliberalization processes would generate a convergence or homogenization of institutional landscapes”.

Sejersted and Heiret’s emphasis on continuity as opposed to notions of shift and change rests on the same assumption, in which the remnants of social democratic relations after 1990 proves the continued dominance of the social democratic order and hence the

limits of neoliberalism. Where the state and encompassing state projects show their continued presence in society, the social democratic order has resisted neoliberalization. This argumentation accepts the assumption that neoliberalism, by definition, means the decline of the state.

In assessing the relationship between state power and neoliberalism, I will approach neoliberalism in a different way. In line with the Marxist methodology outlined above, this thesis will approach neoliberalism as the uneven development of a political project, forged by human beings acting within the objective constraints of capitalist social relations. In so doing, I will argue that the continuity/shift duality is a misleading dichotomy. On the one hand, Furre's assertion of a system shift is an exaggeration. After all it is still capitalism, and I thus agree with Heiret's assertion that the last decades have not been characterized by epochal shifts. But, I will argue that there has been a qualitative change in the balance of class forces in Norwegian society, and that this change has been materialized in the Norwegian state. I will therefore briefly discuss the concept of neoliberalism as political project and process before theorizing the relationship between the state and the capitalist market in processes of neoliberalization. This discussion will provide a conceptual and methodological apparatus with which to analyze the historical trajectory of neoliberalization in Norway.

Neoliberalism as process and political project

Brenner, Peck & Theodore (2010) have sought to transcend the dualist logic of the neoliberalism debate by adopting a process-oriented view of neoliberalism as the uneven development of *neoliberalization*. They frame neoliberalism as a politically guided intensification of market rule and commodification constituted by "*successive rounds of distinctively patterned, market-oriented regulatory restructuring*, each of which is predicated upon, but also partially transformative of, inherited institutional landscapes at various spatial scales" (Brenner, Peck & Theodore 2010, p. 209, original italics). The contradictions that arise in this political process, such as those depicted by Sejersted, Heiret and Mjøset, are not "mere 'noise' around an otherwise ideal-typical model-cum-destination point; the perturbations and experiments *are* the process, which is one of determined yet continually frustrated regulatory restructuring" (Brenner, Peck & Theodore 2010, p. 210).

The point of departure of this process of market-oriented regulatory restructuring was the stagflation crisis that struck the advanced capitalist world in the 1970s and 80s. By the late 1960s, the high and stable rates of growth that had characterized the post-war years

plummeted in many advanced capitalist countries, and a crisis of coinciding high rates of inflation and stagnation with slow economic growth and rising unemployment - a stagflation crisis - surged (Harvey 2005; Hanisch, Søylen & Ecklund 1999). Harvey proposes a theory of neoliberalism as a political project “to re-establish the conditions for capital accumulation and to restore the power of economic elites” (Harvey 2005, p. 19). Harvey’s restoration argument asserts that the social democratic project, through which labour increased its strength vis-à-vis capital by appropriating a large share of the values produced and democratizing the control over the means of production, imposed significant restraints on capital. But as long as growth rates were as high as they were in the post-war years these restraints did not pose a real threat to capital, as high growth rates ensured significant profits despite social democratic political interference in the market through redistributive mechanisms. The stagflation crisis altered the premise of the somewhat harmonious framework of social democracy. When growth plummeted, labour’s restraints on capital resulted in a profit squeeze and the institutionalized class compromise came to pose a threat for the sustainability of capital (Harvey 2005; 2006).

Confronted with the crisis, social democracy came to represent a fatal threat for capital, and neoliberalism arose as a political response to this threat, the restoration argument goes (Harvey 2005; 2006). The restoration argument thus sees neoliberalism as the process through which the restoration favourable conditions for accumulation for capital has been sought in order to regain acceptable profits in the wake of the stagflation crisis of the 1970s and 80s. While this restoration has been sought undertaken through a variety of strategies, this thesis will focus on the spatial expansion of capital through spatial fixes enabled by accumulation by dispossession, in which new markets are opened up for accumulation and thus commodified.

Historical shifts in neoliberal development strategies

To deal with neoliberalism as process, we have to determine how it has developed in time and space. This section will outline a general overview of the historical evolution of the neoliberal project, with specific focus on development policy models, with the aim to depict the international tendencies, the totality, within which the neoliberalization of the Norwegian development strategy has evolved.

The stagflation crisis was aggravated when the OPEC oil prices quadrupled over the course of some months in 1973. As a result of the high oil prices, oil producing states in the Middle East found themselves with massive capital surpluses that had to be invested, or

recycled, somewhere. Harvey (2005, p. 27) shows that the US talked the Saudis into recycling their petrodollars through US investment banks. With the depressing economic conditions in the US, these banks needed to find profitable outlets for the funds they suddenly were in possession of somewhere else. Governments in the south were at the time starving for funds for public projects and borrowed heavily at rates advantageous to the US banks. Many countries had to re-finance their debts through new loans, which resulted in a debt crisis throughout the developing world in the 1980s as the developing countries failed to repay their new debts (Harvey 2005). The IMF and the World Bank offered new loans to the indebted developing countries on more favourable conditions, but in return of structural adjustments that would reform the economies of developing countries in a direction of marketization (Peet & Hartwick 2015). The IMF and the World Bank held that underdevelopment was caused by excessive state regulations, protectionism and weak institutions. Development, these international finance institutions (IFIs) held, could only be engendered by the implementation of 'good governance' by reforming institutions so as to open up the markets of developing countries to foreign capital (Higginbottom 2013). This development strategy of market-oriented reforms through structural adjustments has been known as the Washington Consensus, in which IFIs "became centers for the propagation and enforcement of 'free market fundamentalism' and neoliberal orthodoxy. In return for debt rescheduling, indebted countries were required to implement institutional reforms, such as cuts in welfare expenditures, more flexible labour market laws and privatization" (Harvey 2005, p. 29).

Peck & Tickell (2002) refer to this early Washington Consensus-phase of the neoliberal project as a period of roll-back neoliberalism characterized by a project of "active destruction and discreditation of Keynesian-welfarist and social-collectivist institutions" (Peck & Tickell 2002, p. 384). Hence, the 1970s and 80s were characterized by an attempt to destruct the old order as "state power was mobilized behind marketization and deregulation projects" (Peck & Tickell 2002, p. 388). Throughout the 1990s, however, a shift occurred in the historical constitution of the neoliberal project, as it became more "focused on the purposeful construction and consolidation of neoliberalized state forms, modes of governance, and regulatory relations" (Peck & Tickell 2002, p. 384). Hence, the neoliberal project went from a process of chaotic 'jungle law' to a more stable regulatory system of 'market rule'. Peck & Tickell (2002) characterize this phase of the neoliberal project as one of 'roll-out' neoliberalism, "underlining the sense in which new forms of institution-building and governmental intervention have been licensed within the (broadly defined) neoliberal project... concerned specifically with the aggressive reregulation, disciplining, and

containment of those marginalized or dispossessed by the neoliberalization of the 1980s” (p. 389).

The turn to institution-building characteristic of roll-out neoliberalism must be seen in relation to the rise of East Asian states which were emerging as important economic actors in the late 1990s. The events surrounding the 1997 Asian financial crisis had called the Washington consensus into question (Sheppard & Leitner 2010). For several years, East Asian states had avoided the Washington consensus policy recommendations and purposefully managed industrialization by regulating domestic firms, providing supportive subsidies and closely coordinating firm requirements with state investments (Selwyn 2014, p. 40). As a reaction to the crisis, many of the East Asian states strengthened these policies and effectively regulated capital flows, pursued successful state-oriented policies and eventually put pressure on the IFIs to pay attention to these policy alternatives (Sheppard & Leitner 2010, p. 186). When the East Asian countries came strengthened out of the crisis, arguably as a consequence of the state-led policies, their economic boom fostered the proliferation of economic activities among countries of the south, both in terms of trade and aid (Sheppard & Leitner 2010; Mawdsley 2017). South-south trade increased significantly in the early 2000s, fostered particularly by the economic growth in China which demanded vast amounts of natural resources. From 1990 to 2010, China had an average growth of 9,2 percent, and other countries in Asia, Africa and Latin America grew substantially, particularly between 2003 and 2010 (Bull 2015, p. 11). The south’s share of global industrial output, income and global trade also increased from the turn of the century, its share of global merchandise trade from 25 to 47 percent and its share of global output from 33 to 45 percent from 1980 to 2010. Hence, “while the so-called advanced economies experienced a 1 percent decline in average annual productivity growth between 1990 and 2010, the rest of the world saw a five percent increase” (Bull 2015, p. 11).

Moreover, China, the BRICS and other emerging economies surged as important aid donors in this period, and provisioned loans that “usually come more cheaply than DAC equivalents, producing better value for money” (Mawdsley 2017, 110). Consequently, due to the proliferation of economic activities with other southern countries, both in terms of trade and aid, traditional aid recipients slowly reduced their dependence on aid from DAC-donors, giving increased policy space for many developing countries (Mawdsley 2017; Bull 2015). Roll-out neoliberalism thus co-evolved with the fractured hegemony of the Washington consensus, and as the hegemony of the OECD-DAC was challenged, talk was emerging by the early 2000s of a ‘rising south’ and a Beijing consensus replacing the Washington

consensus (Hansen & Wethal 2015, p. 6). The rise of China and other East Asian countries, which coordinated their economic activities through coherent state-led projects, enhanced the competition for southern markets.

This tendential shift in the gravity of global capitalism, encompassing the rise of the south and the fractured hegemony of the OECD-DAC countries, is commonly argued to have been consolidated with the 2008 financial crisis (Dicken 2015; Gereffi 2017; Hansen & Wethal 2015; Kaplinsky & Farooki 2010; Mawdsley 2017). Kaplinsky & Farooki (2010, p. 125) argue that the first decade of the 21st century “marks a significant structural shift in the global economy”, a shift which was only intensified with the crisis as growth stagnated in northern countries whereas demand kept growing in the global south. Hence, Gereffi (2014) argues that “when the global economic recession hit in 2008–09, this ended all prospects of a return to the old order. As the consumption of advanced industrial economies was curtailed, developing countries around the world began to look for alternatives to declining or stagnant northern markets. Large emerging economies turned inward and redirected production to their domestic markets and regional neighbors” (Gereffi 2014, p. 7). After the financial crisis ‘the rise of the south’ has thus been intensified while northern countries have experienced a lasting economic downturn, the result of which has been “an *undoubted shift in the centre of gravity of the world economy*” (Dicken 2015, p. 36, original italics).

This shifting gravity of global capitalism perpetuated the focus on state-building that characterized the period of roll-out neoliberalism, but now in a conjuncture of emerging geopolitical rivalry. The shift was led by China, which sustained its growth despite the crisis by massive state-led temporal and spatial fixes through debt-financed infrastructure projects that absorbed huge amounts of capital and labour power (Harvey 2019). In contrast to OECD countries, the Chinese state has effectively centralized its management over the economy, making it extraordinarily efficient in its endeavor to displace capital surpluses. The temporal fixes were mainly materialized through urbanization and infrastructure such as the construction of a comprehensive railway and highway system domestically. But China has also sought to alleviate its capital surpluses through state managed spatial fixes. Chinese corporations are lending money on easy terms to countries in Africa and Latin America to build railways, highways and physical infrastructure, using Chinese labour even when there is plenty of local surplus labour available (Harvey 2019, p. 191). And China is also constructing infrastructure in these regions itself. Particularly notable is the One Belt, One Road initiative which is a planned high-capacity rail network through the old Silk Road route from Central Asia into Europe which “will absorb plenty of surplus capital and mop up some of the surplus

steel capacity... [The initiative] almost certainly means a considerable expansion of accessible Chinese trade outlets into that region” (Harvey 2019, p. 191).

The strategic and rather unified state project of the Chinese spatial fix, which is what characterizes the ‘Beijing Consensus’ has caused disturbances among European countries and the US. Hansen & Wethal (2015, p. 7) argue that in the wake of the crisis “long-term development strategies in a context of intense international competition for market access have led to a reinvigorated state-led global scramble for access to resources”. Geopolitical rivalry has reemerged, in which states increasingly coordinate their development assistance with their industrial- and trade policies in an increasingly intense “competition between the ‘old’ and the ‘new’ global powers for energy and resources in Africa, Latin America, Central Asia and Russia” (Kaplinsky & Messner in Hansen & Wehtal 2015, p. 7). In *The New Scramble for Africa*, Carmody (2015) argues that a new scramble for African markets and resources has emerged, characterized by fierce competition between ‘old’ and ‘new’ powers: “In the new scramble there is geo-economic competition between different world economic powers to open up resource access for ‘their’ companies, in addition to subsidiary motives such as getting access to African markets” (Carmody 2011, p. 5). This geopolitical rivalry is expressed in a report from the US Export Credit Agency in which it advocates a coordinated strategy from the US Government to support targeted national industries to access developing markets. The Credit Agency argues that northern countries have responded to Chinese competition by “weaponizing” their trade policies through coordinating their development policies in overarching state strategies to access developing markets in a global conjuncture of fierce competition among states (EXIM 2018).

We can thus roughly distinguish between two historical shifts in the constitution of the neoliberal project at the international scale, from roll-back institutional destruction to roll-out neoliberal state-building in the 1990s, and to the shift in the gravity of global capitalism bringing about increased geopolitical rivalry for access to developing markets after 2008. The historical trajectory outlined here has two implications for the historical analysis that will be conducted in this thesis. The first implication is of a methodological nature and concerns the relationship between the national and the international scales, or between the abstract totality of global neoliberalism and its local and concrete moments. In short, it is a question of how to proceed from the abstract discussion provided here to a concrete case study, which necessitates an operationalization of this theoretical discussion. The second implication is of a conceptual nature and regards the relationship between the state and the market in processes

of neoliberalization, which we up to this point have only hinted to. Let me start by discussing the former implication.

Operationalizing the neoliberal process

I have provided a view of neoliberalism as political project to restore favorable conditions for accumulation in response to crisis conditions that put constraints on capital accumulation within social democratic regulations. And, as we have seen in the historical periodization of the neoliberal project above, there seems to be a tendency toward some form of convergence across geographical space, to the extent that we can refer to a totality of global neoliberalism, or an abstract notion *neoliberalism in general*. Brenner, Peck & Theodore (2010) argue that the late 1990s and the 2000s saw the consolidation of the neoliberal project at the international scale, which they refer to as the *deepening of the process of neoliberalization*, in which multilateral regulatory institutions, such as the WTO, the IMF, the World Bank and the EU consolidated market-oriented policies at the global scale. This deepening of neoliberalization processes “relate to the growing interdependence, inter-referentiality and co-evolution of market-oriented reform efforts among territorial jurisdictions, spatial scales and policy fields” (Brenner, Peck & Theodore 2010, p. 209). That is, neoliberalization was consolidated in the 1990 through a world-wide regulatory regime based on market-oriented policies that increasingly came to coordinate the uneven development of capitalism.

Peck & Theodore (2010) have argued that the consolidation of neoliberal policies at the international scale has brought about a process of neoliberal policy mobility, in which neoliberal policies are increasingly reproduced in different national context. They argue that the “internationalized state project over the past 30 years has been associated with a profoundly transnational process of 'social learning', which has established new circuits of neoliberal economic and legal expertise, new material connections between financializing and globalizing economies, and new forms of uneven institutional convergence around neoliberal norms” (Peck 2004, p. 402). The deepening of the neoliberal project thus involved that neoliberal policy models were increasingly reproduced by national and local policymakers in processes of policy transfers. While neoliberalism was put in motion by class struggle, the project tends to be reproduced by policy makers who simply transfer dominant policy models promoted by multilateral institutions. At the same time, as the global capitalist market has been characterized by increased competition in later years, it has become increasingly difficult for nation states not to comply with the dominating neoliberal policy models. In this way, we see that neoliberalization involves a complex dialectic between the

national and the international scales as the social relations of global capitalism exert pressure on nation states. This means that, to understand the variegated development of neoliberalism as a political project, requires of us to investigate how “local transformations relate to broader trends” (Harvey 2005, p. 87). National trajectories must be seen in relation to international tendencies.

In short, neoliberalism must be treated in the same way we treat capitalism, as a totality forged by the interactions of its local and concrete moments. It is in this way Peck (2004) refers to neoliberalization as a process in which “each and every neoliberal transition, in this sense, is distinctive, though each also remakes the relationship between the part (an actually existing neoliberal case) and the whole (the abstraction we might provisionally term neoliberalism-in-general). Moreover, no transition to neoliberalism was ever solely an 'inside job', nor was it just an 'external imposition'... for this is a locally embedded yet transnational process” (Peck 2004 p. 395) Hence, referring to Marx’s distinction between the concrete moments of particular capitals and the abstract totality of capital in general, we can say that “the challenge here is to make sense of specific articulations between such local neoliberalisms and neoliberalism-in-general” (Peck 2004, p. 399).

It remains to operationalize this process of neoliberalization in a concrete and historical study. In the above discussion, I have outlined three moments which, according to the process-oriented approach to neoliberalism understood as political project, are seen as constitutive for neoliberalization. These are policy transfers, or how international policy models are transferred to the national scale; economic conjunctures within which social agents act and react; and the way in which strategic interest groups have mobilized within this context. My aim is to explore the interrelation of these three moments in a concrete case study of the Norwegian development strategy and how they interact and thus constitute a specific form of neoliberalization. By assessing international policy models, I will relate the specific Norwegian trajectory to the totality within which it interacts through contradictions and coherence. By assessing the composition of the economy and the strategic mobilization of interest groups, I will seek to explain how it is that the peculiarity of the Norwegian trajectory has come about in a process of constrained agency. To provide this historical analysis, some final remarks must be made on the relation between neoliberalization and state power. Up to this point, it has been hinted to the importance of state power in processes of neoliberalization, but this has to be laid out explicitly.

Neoliberalism: a struggle for state power

The task at hand is thus to incorporate Poulantzas and Jessop's concept of state power as a social relation into the process-oriented Marxist methodology which views neoliberalism as the uneven development of a class project in which objective crisis conditions give rise to political responses to restore conditions for capital accumulation. This integration, I argue, can enrich both the concept of neoliberalism as class project and the concept of the state as a social relation. On the one hand, it might help us conceptualize how the strategic selectivity of the state is forged in concrete and historical processes of class struggle. On the other hand, to integrate this concept of neoliberalism with the theory of the state as a social relation might help us conceptualize explicitly how the neoliberal class project is institutionally mediated and thus embedded within the institutional materiality of the state. This section will thus seek to integrate these two concepts so as to provide a conceptual and methodological point of departure with which to analyze the neoliberalization of the Norwegian development strategy and its relation to state power.

I have argued that historical materialism emphasizes the political constitution of capitalism. Opposing the tendency to treat the capitalist economy and its structural dynamics in abstraction from historical processes, historical materialism provides us with a theory with which to illuminate the practical production and reproduction of the capitalist economy. Wood (2003; 2017) shows that the relationship between the state and the capitalist market constitutes a fundamental contradiction in capitalism. On the one hand, the historical emergence and development of capitalism entails a process of depoliticization of economic activities. Original accumulation and the ongoing processes of accumulation by dispossession involve the privatization of means of production and hence the monopolization of economic power in the hands of capital. In this way, capitalism entails a process through which the economy becomes structurally separated from the political sphere. This structural separation is, however, at the same time entirely dependent on active regulation from the state.

The capitalist market depends on political regulation in creating and maintaining the conditions for accumulation. Capital needs politically and legally defined stability, regularity and predictability, conditions that capital's own laws of motion constantly subvert (Wood 2017, p. 178). To this we can add the construction of infrastructure, the reproduction of the working class and the maintenance of nature, conditions which are necessary for capital but which capital itself tends to be unwilling to provide due to high costs, long-term expenditure and high risks. This is to say that capital cannot itself provide the necessary conditions for its

own reproduction. Particular capitals are bound by the imperatives of competition and profit maximization in the market and must seek out profitable short-term solutions that often contradict the stability and sustainability of the aggregate system in the long run. A fundamental contradiction thus exists between the interests of particular capitals and those of capital in general. Hence, the coercions that create and sustain the legal, political, social and physical infrastructure which permits the stability of capital's expanded reproduction in the long run "must exist apart from capital's own powers of appropriation if it is to preserve its capacity of self-expansion... This means that capitalism remains dependent on extra-economic conditions, political and legal supports" (Wood 2017, p. 179). The state, for its part, is itself reliant on the stable accumulation of capital to extract taxes and provide jobs for the population.

Hence the contradictory relationship between the state and the capitalist market: *while the development of capitalism entails a structural separation of the economy from political coercion, the state and the capitalist market are entirely dependent on each other for their continued existence; they are separated from each other in a mutually constitutive relationship* (Wood 2003; 2017).

Elaborating on this notion of the simultaneous structural separation and dependence between state and market in capitalism, Geir Rønning (2019) argues that the state plays a fundamentally ambiguous role in capitalist society. He argues that the state is at one and the same time a universal institution that exercises universal power within its territory, and a delimited set of institutions that make up the concrete state apparatus. This duality of the state means that it is constitutive for the totality that it itself forms a delimited part of, the state is both a particular sector of society and a universal institutional presupposition for that very society. This duality of the state as sector and as institutional presupposition, determines its relation to the capitalist economy. As institutional presupposition, the state creates and maintains the conditions that the capitalist market relies on for its existence, implying that the capitalist market is in fact constructed by the state. At the same time, however, the state as a particular sector is entirely dependent on the market for the extraction of taxes. Hence, the state's relation to the capitalist market is fundamentally ambiguous in the sense that the state is both constitutive for the market and entirely dependent on its stable accumulation of capital (Rønning 2019, p. 80).

This ambiguous duality implies that the expansion of the capitalist market through commodification does not entail a decentering of the state, but instead a change in how the state regulates the market. Rønning (2019, p. 101) argues that "the relationship between state

and market is not a zero-sum game: capitalist markets do not emerge where the state withdraws but presuppose active engagement by the state in transforming social relations to market relations". Rønning (2019, p. 101) distinguishes between market-limiting and market-promoting regulations. Market-limiting regulations refer to regulations that limit the room for manoeuvre of capital, both in terms of limiting its possibilities to expand by protecting spheres and spaces of society from market penetration and in terms of regulations that interfere directly in the relation between labour and capital through redistributive mechanisms and social policies. Market-promoting regulations on the other hand, are implemented to bolster economic growth by building the appropriate institutions and facilitating the commodification of social relations and resources. The distinction between market-limiting and market-promoting regulations implies that *the process of moving the boundary between the state and the capitalist market is not a question of more or less state, but of how state power is deployed and to what purpose*. Politicizing the capitalist market, to bring the market under democratic accountability through market-limiting regulations, can be said roughly to advance the interests of the working classes. Depoliticization of the market, brought on by market-promoting regulations, on the other hand, serves capitalist class interests as they forge state projects in which conditions for accumulation trump other concerns.

Consequently, the contradiction between state and market is politically constituted, as state policy is capable of moving the boundary, meaning that the degree to which the economy is separated from the political sphere, that is, the degree to which the economy is depoliticized, is a question of political regulation. Economic policy can be understood as a struggle for where to draw the boundary between state and market (Rønning 2019, p. 104). Rønning (2019) argues that the political regulation of the boundary between the state and the capitalist market is conditioned by two structural requirements. The state is simultaneously dependent on stable accumulation in order to sustain itself and legitimacy among the population. The concerns for capital accumulation cannot, therefore, be so dominant so as to undermine the interests of the population, the majority of which constitutes the working class which has interests that often conflict with those of capital. In times of crises, however, in which accumulation is constrained, concerns for legitimacy cannot undermine the state's need for continued economic growth and stability.

Although the boundary between state and market is constantly in motion as a result of ongoing struggles, it tends to arrive at some degree of stability when it is institutionalized within the state, institutionalizing certain *regulation regimes* (Rønning 2019, p. 104). The

period of embedded liberalism in the post-war years represented a regulation regime characterized by an organized form of regulation, in which the state actively intervened and politicized the market. The consolidation of neoliberalism from the 1980s onward represented a shift toward a new regulation regime, a liberal form of regulation with a sharper structural separation between state and market, depoliticizing the market.

At this point, Poulantzas and Jessop's concept of the state as a social relation is instructive to understand the constitution of state regulations in relation to wider social relations. We can say that the boundary between the state and the market is determined by the balance of social forces in wider society, meaning that the process of politicization and depoliticization of the capitalist market is subject to a constant process of struggle. Where the boundary is set, and hence which forms of regulation are dominating in a particular spatio-temporal context, expresses a particular balance of class forces. And, as we have seen throughout chapter 3, political struggle is constrained by the objective conditions of historically and geographically specific social relations. The high economic growth of the post-war years allowed for a peculiar balance in which accumulation was sustained despite market-limiting regulations. The rise of neoliberalism, and the liberal regulation regime, then, can be seen as a response to the rupture of this balance, and it is the aim of this thesis to investigate how this balance has evolved in the constitution of a state project in Norway.

Consequently, the capitalist market is dependent on the constitutive role of the state. This implies that the internationalization of capital entails a process through which the economy develops in close and contradictory tandem with the state. To study the integration of the world market in recent decades, then, does not entail a study of the 'economy' as opposed to the state, but rather of *capitalism* from the vantage point of the contradiction between the state and the market. A fourth moment is thus to be added to my operationalization of the process-oriented understanding of neoliberalization in the context of the Norwegian development strategy, which is how the balance of class forces is materialized in the state. The institutionalization of a liberal regulation regime, it seems, gives the state a specific strategic selectivity that makes it biased to implement market-promoting regulations. It remains to investigate these relations through a concrete and historical case study.

5 Research strategy and the production of data

In the previous chapters I have sought to make the case for a process-oriented analysis of the relationship between state power and neoliberalism which pays analytical attention to the historical constitution of this relationship. This process-oriented approach to historical materialism emphasizes how social phenomena are defined by how they develop, “so that the process of their becoming is as much a part of what they are as the qualities associated with how they appear and function at this moment” (Ollman 2003, p. 116). The best way to understand and explain a social phenomenon, according to this logic, is by “tracing the interaction of social relations in the present, and by displacing their historical development as parts of a system through changes in their forms” (Ollman 2003, p. 151). That is, the logic and dynamics of a social phenomenon are determined by how they came into being, implying that “explaining anything is, in large measure, explaining how it came to be” (Ollman 2003, p. 151). This process-oriented approach to historical materialism emphasizes the *historical constitution* of social phenomena, in our case, the historical constitution of the Norwegian development strategy. Consequently, for the purpose of this thesis, I have chosen to adopt an historical method of inquiry and exposition. Theory construction in this thesis will thus be understood in historical terms, as a theoretically informed reconstruction of the past: “the past has passed - we do not have direct, objective access to what has been, but work with remnants or traces of this past which we in different ways try to put together to new totalities which give meaning. In the theory of history such totalities are called narratives, arguments, representations, syntheses or theories (Melve & Ryymin 2018, p. 11, my translation). My aim will be to construct a theoretically informed historical narrative of the neoliberalization of the Norwegian development strategy, and as such inform a theoretical debate about the relationship between neoliberalism and state power in the Norwegian context.

Case study as a step in theory building

Harvey has argued that theory is all too often understood as “a bundle of stationary, already fully specified arguments and propositions, ready-made to be applied to and tested against the ‘real’ world”. Instead, Harvey argues, theory should be understood as “an evolving structure of argument sensitive to encounters with the complex ways in which social processes are materially embedded in the web of life” (Harvey 2006b, p. 79). Theory, then, “can never provide a complete or definite account of the world. Theory is, in any case, always something

that is (or should be) in the course of formation” (p. 115). The research strategy adopted to the purpose of this historically sensitive approach to theory construction, or vice versa - the theoretically informed approach to historical analysis is retroduction. Retroduction seeks to transcend the linear logic inherent in the traditional induction/deduction dualism. Adopting a cyclical logic of inquiry, retroduction allows for a double movement between the abstract and the concrete as the foundation for theory building. Science, then, is understood as “a process that progressively explores the world by means of a systematic alternation between induction and deduction, an iterative process for refining and testing ideas that make sense of collected data” (Blaikie 2007, p. 82).

Retroduction does, however, rest on the legacy of the deductive tradition. Emphasis is placed on the importance of theoretical assumptions guiding the way in which data is produced and analyzed. However, the aim in retroduction is not to test whether an initial theory corresponds to an autonomous and pre-assumed theoretical basis. The historical-materialist notion of totality put forward in the previous chapters, which views capitalist society as a totality structured by the interaction between its concrete parts, thus opposes the formalist conception of totality found in deduction and structuralism in which the totality is attributed an existence “independent of its parts and asserts the absolute predominance of this whole over the parts. The real historical subjects in this case are the preexisting, autonomous tendencies and structures of the whole. Research is undertaken mainly to provide illustrations, and facts that don’t “fit” are either ignored or treated as unimportant” (Ollman 2003, p. 140). This formalist conception of totality results in an unfortunate view of theory in which “structural logic overwhelms historical facts” (Wood 2016, p. 56). The immediate implication of this formalist conception is that structures are seen as independent of history, as mere products of thought, and as such it results as more idealist than materialist.

Marx’s method of abstraction is very different. It entails, as we have seen, “viewing any particular event set as an internalization of fundamental underlying guiding forces”. This implies that the task of enquiry is to “identify these underlying forces by critical analysis and detailed inspection of the individual instance” (Harvey 2006b, p. 86). This individual instance translates into case studies, which represents a comprehensive way of dealing with the abstract totality by way of scrutiny of concrete and empirically observable events. Case studies have gained prominence within human geography the last decades, but, as has been pointed out by Noel Castree (2005), it seems that the proliferation of case studies has been accompanied by a tendency to take the use of case study for granted, to engage in case studies without a thorough reflection of its purpose. Castree shows how a series of case studies on

neoliberalism have come to define neoliberalism as a set of contingent and space-specific processes without an aim to unravel the unitary logic connecting these processes in a comprehensive social system. The concluding remarks in one of the case studies listed by Castree is illustrative: “each specific neoliberalisation is just that, specific, contingent and geographically constituted” (Ontario in Castree 2005, p. 542).

It is, of course, and as emphasized above, important to avoid generalizations that do not come to terms with the difference and movements of change and interaction that make up reality. This is a risk inherent to any process of theory construction. However, I argue, it is as important to avoid going too far in the other direction, to emphasize difference, contingency and uniqueness at the expense of the system-logic which the case under scrutiny relates to. When neoliberal processes are reduced to mere contingency and presented as if geography itself constitutes its essence, the totality is easily obscured. In this way the case study becomes an aim *in itself* rather than a means with which to understand wider processes. If this contemporary tendency originated as a response to the often reductionist structuralism that predominated Marxist theorizing in the 1970s, in which structures and theory were treated in isolation from the concrete and variegated social processes unfolding themselves before us, it has not improved the capacity of social researchers to explain reality when it tends toward abandoning the notion of totality altogether. The notion of the structured interdependence of capitalism seems to have been abandoned in favor of a notion of society as constituted by a variety of fragmented realities void of any structured coherence.

The use of case study in this thesis will aim to shed light on the abstract totality of neoliberal capitalism through analysis of some of its concrete moments, suggesting that “all case studies necessarily internalize theory construction... Through activities of this sort it then becomes possible to re-formulate and advance whatever general theory we have at hand” (Harvey 2006b, p. 86- 87). The notion of ‘case’ will in this thesis be understood in relation to Marx’s ‘unity of the diverse’, an expression of the totality that through its interaction with other relations contributes to the formation of this totality.

Providing a vantage point: producing and analyzing data

Ollman (2003, ch. 8) distinguishes between five steps in Marx’s method: ontology, epistemology, inquiry, intellectual reconstruction and exposition. I have already dealt with what I regard to be a fruitful interpretation of Marx’s first two steps: the materialist ontology of a systemic totality constituted by the interaction of its concrete moments; the epistemology

consisting of Marx's method of abstraction and. It remains to lay out the final three steps of with which to analyze capitalist society in aggregate by investigating the process of coming into being of this totality by analysis of its concrete moments. The method of inquiry "is a matter of seeking for enough pieces to make sense of a puzzle that is destined to remain incomplete" (Ollman 2003, p. 145). In order to grapple with my object of scrutiny, the neoliberalization of the Norwegian development strategy and its relation to state power, I have sought to make sense of the puzzle through a combination of document analysis, interviews with key actors involved in the process, readings of secondary literature, conversations with historians and social scientists who have published on the subject and participation on a few relevant conferences and seminars. In what follows, I will briefly discuss how I have approached these data sources in my method of inquiry, before discussing my method of intellectual reconstruction and exposition.

Document analysis

Documents have been my main data source, particularly official documents and White Papers. I have read and analyzed the essential White Papers and Norwegian Official Reports assessing the development cooperation in the period 1989-2019. I have also read a small selection of key White Papers assessing the internationalization of Norwegian industry. Moreover, I have assessed several of Norfund's annual reports and reports on operation since its establishment in 1997. Evaluations of private sector development (PSD) assistance have also been assessed, along with a handful of relevant reports from research and consulting institutions. The majority of the documents were available online, whereas I had to go through the archives of the national library to find some reports from the 1990s which are not available online.

Following the cultural turn and the increased theoretical engagement with text in the social sciences, numerous and complex methods for text analysis have been elaborated. Kristin Asdal's approach to document analysis is illustrative, as it combines two of the perhaps most influential traditions in contemporary social sciences, the Foucault inspired discourse analysis and Latourian actor-network theory or new materialism. Asdal (2015) sees documents and text as material forces with transformative agency, and thus analyzes documents not as an expression of an 'external reality' but seeks instead to unravel how "documents also take part in working upon, modifying, and transforming that reality" (Asdal 2015, p. 74). Hence, Asdal advocates 'practice-oriented document analysis' which does not seek to contextualize the documents in terms of the "non-linguistic reality 'behind' the text",

but aims instead at “exploring the ways in which documents enact, or take part in enacting, realities” (Asdal 2015, p. 87). Hence, as Asdal asserts, her analysis is not so much “concerned with the ‘social’” (Asdal 2015, p. 76).

Similarly, Hilde Reinertsen (2015), a student of Asdal, uses documents to look for “what happens in the text itself, look for how it establishes its own context, and how it potentially transforms both the issue at hand and its own context” (p. 44). For example, Reinertsen investigates Norwegian oil aid by reading official documents by focusing on the complexities of the text itself:

“not only as an historical source representing the recent past by means of text, but as a technology of politics – a tool with the potential of making something happen. More than as an objective source to information about the oil aid projects as such, I started looking more closely at the report itself: its front matter, preface, layout, maps, photographs, tables, graphs, text boxes, and appendices. Conceptualizing the report as a tool, I started asking not merely what the report said, but what it did, that is, what its effects were and what further actions it could enable (Reinertsen 2015, p. 42).

In light of the historical materialist framework outlined above, I see this meticulous textual analysis as counterproductive and in fact prone to obscure important aspects of social processes. In conducting interviews for this thesis, the obscuring effect of the exclusive focus on text became pertinent, as several of my informants were at pains to inform me that a discrepancy exists between the rhetoric of official documents and the actual domain of practical policies. In an interview with Kjell Roland, former CEO of Norfund through 12 years and a strategic person in the neoliberalization of the development strategy, he insisted that “you have to differentiate between the rhetoric in development aid and... In large areas there is almost no coherence between the rhetoric and what is happening in the real world” (Interview with Roland 2019). This discrepancy between rhetoric and practical policies was emphasized by several of my informants.

Having this discrepancy in mind, I will, to a large extent, retrogress to the point from which Asdal and Reinertsen along with many discourse analytics depart - and analyze documents mainly as expressions of wider social relations. The purpose of document analysis in this thesis will thus be to contextualize official rhetoric and discourse by seeking to shed light on the social context of the texts (Ryymim 2018, p. 53). I will thus assess official documents in much the same way as I approach the state, as expressions of the balance of

forces among interest groups in wider society. Changes in official rhetoric will be seen as steps in a process of alternation of the gravity in the balance of forces in society. It is important to emphasize, however, that there is a two-directional logic to this concept of the state - and consequently my concept of document analysis. While documents are seen as expression of wider social relations, they will simultaneously be seen as contributing to materializing the social relations they express. But, as I will show, there is a long way from the elaboration of documents to the consolidation of state power. To assess the process in its totality, more sources are needed.

Interviews

I used interviewing with key actors in the neoliberalization of the Norwegian development strategy as a way to complement the information provided by documents. The purpose of interviewing has been in accordance with what Kevin Dunn (2016) argues are strengths of interviews in social research: to fill knowledge gaps that other methods are unable to bridge efficaciously; to investigate complex behaviors and motivations and; to collect a diversity of meanings, opinions and experiences, as interviews can provide insights into differing opinions or debates within a group, or reveal consensus within or among groups. The purpose of the interviews has thus been to access information about how strategic actors have evaluated the process under scrutiny and to gain access to 'informal' and personal information that can reveal contradictions that are not exposed in official documents. Another important motivation for conducting interviews was to test my hypotheses against some strategic actors. This motivation proved to be particularly important, as I was surprised to find many of my informants emphasize that the coherent state strategy depicted in official documents was not easily implemented into practical policies. In accordance with the retroductive research strategy, I thus had to go back to the theory to comprehend the contradictions I had found. It was then that Jessop's concept of state projects as social relations which are inherently contradictory and not necessarily very visible, began to make sense for me.

My aim was to conduct interviews with people that have had leading roles in the neoliberalization of the Norwegian development strategy. I thus contacted several, previous and present, Ministers of Development, Foreign Affairs and Finance, none of whom accepted my request. Moreover, I was unable to find contact information to some key actors and Ministers. I contacted the organizations and institutions I consider important to the process and had positive responses from Norfund, NHO, GIEK, Export Credit Norway and the

Norwegian-African Business Association. During these interviews I was provided information about other key persons and their contact information together with positive references from within the aid and business environments. In this way, I was lucky to get to interview central actors whom I initially was not able to get in contact with. On the other hand, this way of finding informants was somehow spontaneous, and it was rather accidental which actors I ended up interviewing. Furthermore, as I will discuss below, I determined the specific focus of the thesis as I analyzed my data toward the end and after the process of interviewing. In retrospect, I see that this has resulted in some weaknesses in my analysis. For example, there is a lack of interviews with persons from the left wing and the opposition to the neoliberalization of the development strategy. I did try to contact Ministers and State Secretaries from SV and AP, but without positive results, and I never contacted NGOs or other representatives of oppositional groups in civil society. The Covid-19 situation has further complicated to follow up on this methodic flaw.

I conducted the interviews carrying out semi-structured interview, and my interview guide was adjusted after every interview as I found new and interesting information. The interview guide was also adjusted according to the relevance of the actor interviewed. The interview guide attached in appendix 2 is the adjusted interview guide I ended up with in one of the final interviews I conducted. Considering the purpose of the interviews, to provide information about the strategic calculations and evaluations of strategic persons, I have chosen to present my informants by their real name with the consent of my informants and NSD. All interviews were conducted in Norwegian and citations have been translated into English.

Conferences and conversations

I have supplemented my data with conversations with relevant scholars and attendance at relevant seminars and conferences. During the period of data collection, I contacted several historians and social scientists who have published on the processes I have investigated. Through conversations with these scholars I could assess the relevance and substance of my hypotheses and research questions. I assessed whether my hypotheses cohere with previous research on the topic, and about literature on the subject that was unfamiliar to me. In this way, I was provided a more overarching overview of the process under scrutiny and given some concrete tips on where to find additional relevant information.

Attendance at conferences and seminars had the same function for the research process; to assess my hypotheses and refine my research questions. My main aim with this

attendance was to assess whether the hypotheses I had elaborated on the basis of documents, interviews and conversations with academics could be observed in the immediate and concrete reality of the events organized by the institutions and organizations under investigation. Consequently, I participated at Norfund's conference "Moving Money - Improving Lives" in August 2019, Norad's conference "Can aid to private sector contribute to sustainable development?" in February 2020 and Civita's Seminar "What role should our vested interests play in the development assistance?" in October 2019.

From inquiry to intellectual reconstruction and exposition of data

My method of inquiry entailed to take comprehensive notes and citations while reading primary and secondary literature. These notes and citations were undertaken with my research objectives and questions as guiding principles. The documents I considered to be of key importance were read closely and summarized in detail, while other complementary documents were read rather briefly and selectively with the aim to provide an overview of specific events and processes. All the interviews were transcribed in their entirety. With these lengthy transcriptions, summaries, citations and notes, I proceeded from inquiry to intellectual reconstruction, which is a moment in the scientific process in which data is analyzed in relation to the theoretical framework in a process of self-clarification (Ollman 2003, p. 147).

The process of intellectual reconstruction was undertaken primarily toward the end of and after the collection of data. Through the analysis of my data, new dimensions of the process were revealed, for example the discrepancy between official rhetoric and practical policies and the role of civil society and NGOs in resisting neoliberal advances. Conforming to the retroductive research strategy, this process of intellectual reconstruction thus compelled me to return to the process inquiry. Ideally, I should have pursued the insights provided through the data analysis by conducting more interviews, for example with persons involved in resisting neoliberal advances and with persons engaged in the process under scrutiny in the 1990s. Due to time limitations and the outbreak of Covid-19, however, I have not been able to return to conduct more interviews, the result of which has been that my data is dispersed unevenly across historical periods and that I lack interviews with oppositional actors. I was able to return to inquiring documents, but not to conduct more interviews.

The process of intellectual reconstruction allowed me to historicize the process under scrutiny. While my initial aim was to investigate the development strategy from the 2000s onward, my research soon compelled me to adopt a longer historical view and to relate the

current strategy to its rupture with the social democratic order. The abstraction of level of generality was thus determined in the process of intellectual reconstruction, to investigate the Norwegian development strategy in its historically and geographically specific neoliberal form. Given the restrictions that prohibited me from returning to conducting more interviews, my interviews do not cohere with the periodization determined in the process of intellectual reconstruction. Interviews cover only the last twenty years of my analysis, while my analysis of the process before the 2000s is more dominated by documents and secondary literature. Moreover, because there is a limited amount of secondary literature and historical accounts of the subject after 2005, my analysis of the period from 2005-2019 is dominated by my analysis of primary literature. I see this historical dispersal of my data as a weakness to my analysis, as my conclusions must be drawn on a varying and inconsistent combination of data.

Going from intellectual reconstruction to exposition, I had to determine a level of abstraction, or how to balance between abstract and concrete observations in presenting my data. George & Bennett (2005) distinguish between different levels of abstraction in theoretically oriented historical explanation, from the concrete and empirically dominated *detailed narrative* which explains historical processes at a low level of abstraction, to the more *general explanation* which favors broader processes over minute, detailed sequences (George & Bennett 2005, p. 159). The level of generality adopted in this thesis lies somewhere in between, what George & Bennett (2005, p. 158) call *analytical explanation*, which “converts a historical narrative into an analytical causal explanation couched in explicit theoretical forms”. With analytical explanation, the explanation “may be deliberately selective, focusing on what are thought to be particularly important parts of an adequate or parsimonious explanation; or the partial character of the explanation may reflect the investigator’s inability to specify or theoretically ground all steps in a hypothesized process” (George & Bennett 2005, p. 158). The application of analytical explanation in this thesis emanates primarily from a deliberate choice of selection, a result of my wish to see the Norwegian development strategy in relation to the level of generality of neoliberal social relations and hence to take a longer historical view. It does however, also express the limitations of my data which is unevenly dispersed across the historical periods I investigate. In some instances, I have wished to dive more concretely into the process I have scrutinized but have failed to do so due to limitations in my data. With more time, I would have been able to return to a more comprehensive round of inquiry in light the process of intellectual reconstruction.

The mode of exposition, which constitutes the appearance of this thesis, thus masks a cumulative process through which I have analyzed my collected data, returned to my theoretical framework and then back again in rounds of analysis that have forced me to continuously reconsider my theoretical assumptions and thus also to revise my theoretical chapters. Hence, while my mode of exposition is deductive in that it proceeds from the abstract to the concrete, it is only the form of appearance of a retroductive research strategy.

Reliability and validity

The quality of qualitative research can be determined by its reliability and validity (Hay 2016). The reconstruction of the data and the ensuing conclusions drawn through this qualitative and historical research method will necessarily be influenced by my subjective interpretations of the data. This subjective dimension of the analytical procedure in historical and qualitative methods means that other researchers could come to different conclusions based on the same data material. To ensure reliability in qualitative research, it is therefore important to be transparent on choices made in collecting and analyzing the data (Tjora 2010). Transparency can be ensured by providing the possibility for the reader to see that there is coherence between the data and the researcher's interpretations (Grønmo 2015). With this in mind, I have provided many and lengthy citations with the aim to produce a transparent data analysis. Moreover, the theoretical assumptions outlined in chapters 2-5 and my subjective positionality, which will be discussed below, will color both what I look for in my data and how I interpret this material.

The validity of the data depends on whether the data coheres with the purpose and conclusions of the study. The data have to be relevant for the purpose of the research questions. In my case study, I have sought to provide a valid analysis by leaning on several types of sources. In line with the arguments put forward in the section about document analysis, I would argue that to investigate the research questions posed in this thesis based solely on document analysis could be inclined to have a low degree of validity. Through interviews, conversations with scholars and observations on conferences and seminars, I have sought to critically assess my data from different angles and thus strengthen the validity of my argument. Due to the historical dispersal of my data, however, the validity of my analysis can be weakened at some points in my analysis. For example, in my analysis of the period 2008-2019, which will be assessed in chapter 8, I must base much of my analysis on information provided by my informants. This is because secondary literature on the processes I investigate in this period are limited, and because time restrictions have not allowed me to

thoroughly assess all the relevant information provided by my informants. This might deviate from the purpose of conducting interviews posed in this thesis, to complement other data sources with personal evaluations. I will seek to explicitly make clear and discuss these limitations as they appear throughout my historical narrative. The concept of reflexivity, which entails an active and critical self-reflection by the researcher and demonstrates the researcher's active questioning of their analytical procedure, is thus important to ensure a reliable and valid analysis (Tjora 2010).

Positionality

Our view of reality, or how we abstract social phenomena, is conditioned by particular cultural horizons, which again are colored by accumulated knowledge from the past: "we do not see everything, and what we see, we see in a particular way. We always interpret our so-called data, and our interpretations are in line with what kind of understanding we are interested in" (Kjeldstadli 1999, p. 134, my translation). Hence, and as implied in the epistemological approach of this thesis, we cannot separate completely between the object of study and the studying subject. This makes it necessary to explicitly reflect upon our biases as researchers, or what personal conditions may color the abstraction we choose to apply. My personal positionality has been instrumental for the choice of abstractions I have undertaken in this study. Marx's eleventh thesis on Feuerbach, asserting that "philosophers have only *interpreted* the world in various ways; the point is to *change* it" (Marx 1998, p. 571, original emphasis), inspires my theoretical endeavor in this thesis. I have for several years been organized in socialist organizations working with anti-imperialist movements in Latin-America and participated in political schooling in Latin-America aimed at organizing international resistance toward the processes I investigate in this thesis. This commitment has colored the purpose and realization of this thesis. Although I do not see this political bias as a weakness to the present research, it demands particular emphasis on transparency and reflexivity. Hence the necessity of stating my political bias. Moreover, as a white man and student finishing my studies at higher educational level, I am prone to be biased toward emphasizing some particular abstractions over others. For example, notions of gender and race are excluded from this thesis, as well as many other vantage points which could be relevant for the process I investigate. To supplement the analysis presented in this thesis with other relevant vantage points would be the purpose of further research.

6 1973-1990: The Norwegian state from organized to liberal regulation regime

When Norway gained its independence from Sweden in 1905, foreign capital had started acquiring waterfalls in Norway on a grand scale. With independence, nationalization and national sovereignty over the natural resources quickly came on the agenda for Norwegian policymakers. To counter the appropriation of Norwegian resources on the hands of foreign capital, the Concessions Acts were enacted, regulating the ownership of energy resources and waterfalls (Skjold 2015). Initially, the Concession Acts were particularly directed toward foreign capital, aiming to secure national sovereignty over the resources. But the legislations soon began to privilege municipal ownership over private capital, paving the way for not just national, but also public ownership over the water resources. By 1911, a legislation was enacted that gave municipalities the right to expropriate waterfalls from private owners under certain conditions. This was followed up in 1917 by a similar advantage for the state (Thue 1996). Moreover, the right of reversion was enacted, by which private ownership over waterfalls were to be transferred to the state after a certain number of years (Skjold 2005).

Whereas the strategy of nationalization was mainly directed toward municipal ownership until WW2, the Labour Party increasingly aimed to establish state management and control of the hydropower resources when it took office in 1945 (Thue 1996). The social democratic project thus implemented an organized regulation regime of strong state intervention and control over the capitalist market by politicizing the economic sphere. The Labour Party, with Prime Minister Einar Gerhardsen in the lead, consolidated the social democratic project in the post-war years. Gerhardsen aimed to reconstruct the country after the war through mass industrialization, and hydropower became the principle means with which to provide energy to the emerging large-scale industry. Finn Olstad (2010, p. 140) argues that Gerhardsen's political project initially aimed to develop the country in a socialist direction by strengthening political control over the economy by weakening and controlling capital and strengthening workers control over the production process. However, by 1965, Norwegian social democracy was no longer seen as a step toward socialism, but had instead obtained a two-sided political justification, on the one hand as a certain expansion of democracy through political control over the economy, and on the other hand as a way to increase productivity and hence to stabilize capital accumulation (Heiret 2003a).

Francis Sejersted (2000) sees the social democratic project ultimately as a compromise, or a synthesis of the socialist aspirations of the radical Labour Party and the

demands of the Conservative Party. Capital enjoyed social democratic state regulations and subsidies that kept competition at distance and ensured stable profit rates. Rather than to construct socialism, the social democratic welfare state and the system of worker's power that it institutionalized, evolved into a system which effectively regulated the contradictions of capitalism. Hence, both capital accumulation and legitimacy was secured in an organized regulation regime in which high economic growth allowed for strong politicization of the economy.

Notwithstanding the shift from socialist aspirations to effectively regulating capitalism's contradictions, the purpose of the resource policy of the early days of Gerhardsen's Government remained powerfully intact: public management and control over the resources to ensure the provision of cheap energy to households and industry to foster welfare for people across the country. From 1950 to 1995, private power producers were reduced from 42 to 15 per cent, and among these 15 per cent, 6 percent was owned by Hydro, in which the state was the majority stockholder. Full nationalization was never realized, but the state took control over the majority of Norwegian hydropower resources and brought important decisions regarding the management of these resources into the Storting (Thue 1996, p. 61). The oil policy that was developed in the 1970s extended the political aim of hydropower to the petroleum sector: the main goal for the Norwegian oil policy became to guarantee national management and control over the oil resources (Ryggvik 2000, p. 85). Moreover, this resource policy would be extended to the development policy in the 1970s, in which national sovereignty over natural resources was presented as a fundamental presupposition for development in the global south.

Continued market-limiting regulations in the midst of an international crisis

While neoliberal reforms were implemented throughout the world in the wake of the stagflation crisis and the 1973 oil price hike, the 1970s marked the heydays of public planning and control of the economy in Norway (Hanisch, Søylen & Ecklund 1999). The quadrupling of the oil prices had the opposite effect on Norwegian society than for the developing countries of the south. In 1969, oil was found on the Norwegian continental shelf, and production was started in 1971. The new oil industry perpetuated the economic boom of the post-war years, stimulating industrial activity throughout the country to supply oil production. This provided room for maneuver for extending the organized regulation regime

of social democracy, creating a “distinctly Norwegian scope of action in the middle of an international crisis” (Heiret 2012, p. 55). As in the rest of the advanced capitalist world, a wave of radicalization swept over Norway promulgating the idea that the crisis that was striking global capitalism was a sign of the inherent instability of the capitalist system and its incompatibility with social equality. This surge of socialist movements coincided in Norway with the referendum on membership in the EEC that took place in 1972, and the Labour Party, which constituted Government, had to compromise with the radical left to restore legitimacy and gain votes.

Within the room for maneuver that the oil boom had created, a radicalization of Government policies thus took place. As other capitalist countries imposed austerity measures, the Labour Party Government in Norway continued to support industry and stimulate demand through moderate wage increases in classical Keynesian countercyclical policies from 1973-77. Democratic and social reforms were passed, such as the sick pay scheme that gave full pay from the first day and the Working Environment Act that entailed a significant expansion of labor protection and a weakening of managerial prerogatives (Heiret 2012; Berntsen 2007). These reforms expanded both workers’ rights and increased democratic participation in the workplace, and thus effectively perpetuated the politicization of the market by moving the boundary between the state and the market in a direction that increased political control over the economy.

The resource policy, which aimed to gain national control and democratic management over Norwegian natural resources, was extended to the Norwegian development strategy during this period, when the Labour Party Government began to advocate a new economic world order (NIEO), by which it aimed to bring about structural changes in the global economy in favour of the developing countries (Tamnes 1997). Norway was the first industrialized capitalist country to advocate the demands of the NIEO, arguably due to the peculiar conjuncture in which socialist advocacy had led to a radicalization of government policies. The NIEO was presented in the White Paper *Norway’s Economic Cooperation with the Developing Countries* (St. meld. nr. 94 1974-75), which has been known as the NIEO Paper. The NIEO had been proposed by a unified block of developing countries that, facing the oil shock and the general economic crisis, sought to reform the unfavourable international economic conditions which they argued reproduced underdevelopment in the global south. The NIEO White Paper stated that the developing countries were in an “economic relation of dependency to the rich world through the distribution of property, work and power which prohibits a thorough economic and social liberation” (St. meld. nr. 94 1974-75, p. 8 my

translation). Through the NIEO, the developing countries demanded “full sovereignty over the natural resources and economic control in their own countries” (p. 8). Rich countries benefited from international economic structures that allowed foreign ownership over natural resources, the Government held. The Norwegian NIEO policy supported the demand of national sovereignty over natural resources and argued that Norway would have to sacrifice some of the benefits it accrued from the international economic structures, as the NIEO would entail a more just redistribution of ownership over the world’s resources. Moreover, support was given to socialist regimes and national liberation movements in this period (Tamnes 1997).

The fall of social democracy

The global economic crisis challenged the belief that industrial capitalism could provide infinite growth and prosperity, a belief that had been widespread with the long lasting post-war economic boom. In 1977, the national accounts of international trade ended in a significant deficit, and it became obvious that Norway would not remain unaffected by the international crisis despite continued petroleum production. Business interests blamed the counter cyclical policies for the deficit, arguing that these policies contributed to an increase in Norwegian wages in a situation in which wages were dropping internationally. Thus the counter cyclical policies, business interests argued, weakened Norwegian competitiveness internationally (Mjøset et al. 1986). Consequently, Mjøset et al. argue, “social democracy’s good relationship to the organized interests of industry was weakened. The structural problems and the critique from the business sector convinced social democracy that policies had to be adjusted... concerns for accumulation forced through austerity measures” (1986, p. 249, my translation). Accordingly, by 1978 the counter cyclical policies were abandoned as Labour Party politicians no longer saw it as possible to steer away from the international crisis (Heiret 2003b, Berntsen 2007). When the Conservative Party, led by Kåre Willoch, won the general elections in 1981, the Labour Party had therefore already turned away from some of the defining features of the post-war social democratic policies in favor of austerity measures, and with this initiating the process of moving the boundary between the state and the market toward a sharper structural separation between the two. Willoch intensified this shift, deregulating the credit and money markets, deregulating housing, liberalizing trade, dissolving state monopolies such as the television broadcasting, tax reductions for business

and commercialization of public services (Furre 1993). As the crisis hit the Norwegian economy, a process of depoliticization of the economy was thus initiated.

Furthermore, Willoch sought to turn development aid in a conservative direction by discontinuing the NIEO policies and by strengthening the stake of Norwegian business in the development cooperation (Tamnes 1997). In line with the conservative tradition, Willoch had first proposed to reduce the provisions for development aid in 1981. But this proposal was declined by their partners in Government, Christian Democratic Party (KrF) and the Liberal Party (V), and instead a compromise was reached in which the provisions for development aid were increased while Norwegian business was provided a more strategic role in the development cooperation (Tamnes 1997, p. 392). Hence, in 1982, Norway for the first time provisioned 1% of Gross National Income (GNI) to development aid, an increase from 0,33% in 1970. To provision 1% of GNI to development aid has remained state policy until present. This made Norway the country that provisions the highest percentage point of GNI to development aid, a position Norway would maintain for many years. Hence, the Willoch government increased the provisions for development aid, but sought to change the strategic use of this significant sum of money.

The Willoch government established an executive committee with equal representation from the Norwegian Agency for Development Cooperation (Norad), the employer's organization Norwegian Federation of Industries and the Norwegian Export Council. This committee wanted to tie the exports of Norwegian commodities to foreign aid and argued that Norad should have a role as catalyst for Norwegian business in new markets (Eriksen 1988). In line with this proposal, the Federation of Industries launched a comprehensive report in 1984 on the relationship between aid and business in which it advocated the need to tie Norwegian exports to development aid. It also emphasized the need for mixed credits, that is, to tie aid to Norwegian businesses' offers on deliveries to development countries, so as to cheapen the offers and increase the competitiveness of Norwegian companies, or, in short, to subsidize Norwegian exports through the budget of development aid. The Conservative Party complied with the advocacy from organized capital and implemented mixed credits as a trial for three years (Eriksen 1988).

Furre (1993) argues that the economic turbulence and the fact that the Labour Party had partly abandoned its project in 1978 made the shift toward marketization possible. After two years of stagflation crisis, the Norwegian economy regained high growth from 1983-85 as a result of favorable oil prices and an expansive finance policy from the Willoch Government which made it easy to take loans. Loans were taken to finance imports for

aggressive consumption both from industry and households. Consequently, imports financed by loans and oil money increased more than the corresponding increase in domestic mainland production. When the oil prices dropped to half in 1986, the Norwegian economy went into a recession. The national accounts of foreign trade went from a surplus of 26,7 billion NOK in 1985 to a deficit of 33,4 billion in 1986 (Furre 1993, p. 438). When the Willoch Government proposed to implement austerity measures, the Storting opposed the proposal, and the Government resigned. The Labour Party, led by Gro Harlem Brundtland, formed a new Government. Despite previous protests against Willoch's austerity proposal, the Brundtland Government revitalized the same policies by introducing major austerity measures (Furre 1993).

Marketization and internationalization in the energy sector

The 1986 oil price drop had major impacts on the Norwegian economy, which by then had grown relatively dependent on the production and exports of petroleum. As we saw, due to the fragility of the economy in the 1980s and the expansive financial policies of the Willoch Government, the oil price drop had wider repercussions for the economy as a whole. Einar Lie asserts that by 1988, "the competitiveness was weak, the trade balance was miserable, unemployment was rising, and Norway had a large net debt" (Lie 2012, p. 172). The pessimism that this depressing economic situation brought about intensified when a crisis in the bank sector hit in the early 1990s. Facing the depressed economic conditions at home, internationalization became a preferred strategy for many Norwegian companies (Ryggvik 2010, p. 197). Other events at the international scale contributed to the increased focus on internationalization, for example new markets emerging as a result of aggressive privatizations in the global south implemented with structural adjustment programs. The fall of the Soviet Union a couple of years later would intensify this trend. Moreover, in other industrialized countries capital had already started internationalizing, making this a 'natural' option for Norwegian capital now facing a severe stagflation crisis.

Internationalization became particularly important in the Norwegian energy sector, in which the general economic recession coincided with a shortage of natural resources to exploit within Norwegian territory. In the petroleum industry, the continental shelf was believed soon to reach a point of maturity, meaning that the peak of oil extraction would be reached and that the oil resources would diminish over the course of the next decades. Statoil, having invested in technology, labour capacity and infrastructure, and having a surplus of NOK 8,4 billion that had to be invested somewhere if it was to avoid devaluation, was of

course reluctant to let its capital wither away along with the decline of the oil resources on the Norwegian continental shelf. Internationalization was thus proposed as a new main strategy for Statoil in 1990 (Ryggvik 2010, p. 197). As for the Norwegian state, it had by now become significantly dependent on the petroleum revenues and the huge industrial complex supplying the industry. Consequently, Ryggvik asserts, “what would Statoil otherwise do with the money? The activity on the Norwegian continental shelf was already heavily reduced after a recession in relation to the oil price drop in 1986. At the same time big things were happening in the world” (Ryggvik 2010, p. 197, my translation).

In 1990, Statoil established an alliance with the British oil company BP, aiming to cooperate in exploration and production of oil in what was becoming known as the promising new oil regions of former Soviet countries, Angola, Nigeria and Vietnam. A White Paper outlining the strategic plan for internationalization of Statoil was presented to the Storting, in which internationalization was presented as a necessity to continue value producing activity in a situation in which the future of the resources on the continental shelf were unsecure. Hence, the Government wrote in the White Paper that

“It is important for the Norwegian companies to establish international activities also when the production on the Norwegian continental shelf decreases. This will contribute to make the Norwegian petroleum industry less dependent on the Norwegian resource foundation, and thereby also reduce the dependency in the Norwegian economy in general. The strong competence that has been built within the companies will form the basis for a situation in which significant value creating activities within the oil and gas industry embedded in Norway can be continued, independent of the resource situation on the continental shelf (St. meld 26 1993-94, in Ryggvik 2000, p. 140, my translation).

A shift thus took place in the national petroleum strategy over the course of a few years. The slogan of national management and control over the oil resources, which had formed the strategic backbone of the construction of the Norwegian oil regime, was abandoned (Ryggvik 2000). After two decades of intense work to nationalize and politicize the oil industry and to secure national sovereignty over the resources, the oil policy turned completely around. The aim was now to make Statoil an ‘international oil giant’: “in the same way that Statoil had brought a large number of Norwegian suppliers into the oil age, the company was now supposed to be the engine that brought the Norwegian oil industry out to the world” (Ryggvik 2010, p. 195).

In the hydropower sector similar crisis conditions arose at the time, and, similarly, plans for internationalization were elaborated. Here a combination of overproduction of electricity and restricted possibilities for new hydropower developments lead to stagflation in the late 1980s. The general depression in the Norwegian economy reduced the demand for electricity, in particular from industry. Combined with natural circumstances such as high precipitation levels and mild winters in the preceding years, the reduced demand for electricity resulted in a huge surplus of energy (Skjold 2015). On the other hand, the problem of stagnation became pressing in the last half of the 1980s. There were, by the end of the 1980s, few hydropower resources left to develop. Following the large-scale hydropower development of the social democratic period, most of the unregulated waterfalls and other hydropower resources had been put in pipes. Moreover, during the late 1970s and early 80s, the building of new power plants met resistance, the most controversial case being a planned power plant in a reindeer husbandry area for Sami people in Alta that sparked widespread and militant protests across the country. As a result of these protests, laws were enacted to protect waterfalls from the hydropower industry. In 1986, 46 watercourses around the country were permanently protected, as it was argued that hydropower development lead to considerable social conflicts (Skjold 2015, p. 32). When Statkraft finished production of four plants in 1988, the company had few possibilities for new plant constructions in Norway.

Skjold (2015) argues that this situation of a simultaneous electricity surplus which caused inflation in prices, and stagnation in hydropower development, left Statkraft with the possibility to either dismantle larger parts of the corporation or to seek out new assignments and markets. But to dismantle operation was never an alternative considering the importance of the company for the overall Norwegian economy. To dismantle Statkraft “would not only threaten the company, it would also threaten the entire Norwegian hydropower environment, an environment with long and strong traditions and one that was a gathering force in the eyes of many and a world leader in its field. In brief, the future of one of the country’s leading technological environments was on the line... Consequently, new assignments had to be created” (Skjold 2015, p. 34). Hence, Skjold depicts a situation in which, facing the crisis, there was no alternative to internationalization.

But internationalization was not possible within the social-democratic regulatory framework which impeded international trade in hydropower. Decades of political efforts to politicize the hydropower resources had created a legal and political framework that saw hydropower as a resource belonging to the common interests of the local and national (Thue 1996). Internationalization required political and legal reforms, and it did not take long before

such changes were implemented. In 1988 the Ministry of Finance funded a project to look at alternative models for organizing the power sector. This project culminated in a recommendation to introduce market forces and competition into the sector on the grounds that this would improve efficiency (Skjold 2015). In 1990 a new Energy Act was introduced which followed up on these recommendations, effectively liberalizing the power sector. The price of electricity was no longer to be determined politically, but by the company's management. This Act was followed up by reforms that carefully lifted the restrictions on international trade in electricity. Statkraft was restructured into a state enterprise, which separated the management of the company, and consequently the management of Norwegian electricity, from the Storting. Statkraft remained 100 percent state owned, but the management of the company was completely reformed. The Ministry of Oil and Energy replaced virtually the entire board of directors and formed a new manager group without ties to politics or the public administration (Skjold 2015, p. 38). The new CEO of Statkraft, Lars Uno Thulin, who had worked in the financial industry in London, proclaimed himself a "defender of sheer capitalism" and declared himself unambiguous as to the new purpose of Statkraft, claiming that "we will be interested in selling the power we have available at the greatest possible profit" (Skjold 2015, p. 43).

The aggregate of these reforms has been known as the market reform. The monopoly of energy supply was disintegrated, and the management of Norwegian energy was moved out of political reach. Thue argues that "the reform presupposed that the political authorities to a significant extent left the management of the energy companies to the market and the companies' management. After having been both a tool and a symbol for local, regional and national common interests through more than a hundred years, the overarching aim for the energy plants was now to provide economic profitability for the company" (Thue 1996, p. 87, my translation). In fact, the implementation of the market reform made the Norwegian energy sector the most liberalized in the world, making Norway a lead country in the marketization of the energy sector (Thue 1996).

Thue (1996) is critical to the representation of the market reform as a necessary, almost inevitable solution to internal problems in the hydropower industry, the 'there is no alternative' version of Norwegian hydropower. He shows that, indeed, the market reform was presented as necessary and inevitable, with the rationale that the inner tensions in the energy sector could only be resolved by separating its control from the inefficiency of state management. Furthermore, Thue (1996) shows that the absence of debate, both in the Storting and in the public, was striking. A century of strategic politicization of the

hydropower resources was abandoned almost without debate. But contrary to the widespread naturalization of the market reform, Thue (1996, p. 132) argues that the crisis to a large extent was constructed by economists who claimed profits and economic efficiency to be the sole purpose of energy production. And under these rubrics, the regulatory practices that had ensured politically controlled prices aimed to provide cheap electricity, would indeed be seen as inefficient. Consequently, Thue emphasizes the political context of the reforms, arguing that the shift to neoliberal policies that had taken place in recent years both nationally and internationally was determinative for the political acceptance of the market reform (Thue 1996, p. 134). Although simultaneous stagnation and inflation in the sector indeed posed a problem to the industry, the solution toward marketization was the result of a political shift in society at large.

Summary

In this chapter, I have sought to narrate the historical background conditions for the neoliberalization of the Norwegian development strategy which will be analyzed in subsequent chapters. The Norwegian social democratic state politicized the capitalist market through market-limiting regulations that brought Norwegian resources under public control and management with the aim to stabilize accumulation and to extend political control over the economy so as to foster industrial activity and welfare. While the surge of the stagflation crisis in the early 1970s led to a surge of neoliberal policies at the international scale, the petroleum industry provided a distinct scope of action for labour and radical social movements in Norway. In a national context of continued economic growth, the politicization of the economy was perpetuated, and market-limiting regulations were extended to the development policy through the NIEO, amounting to a comprehensive state project aimed at politicizing the capitalist market.

The Norwegian state would remain unresponsive to international neoliberal tendencies until the crisis hit Norway in the late 1970s and early 1980s. When Norwegian capital was hit by a crisis of overaccumulation, market-promoting regulations were implemented. The early neoliberal reforms of the development strategy should be seen against the background of the crisis experienced by Norwegian capital. When the accounts of international trade ended in deficits and the Norwegian Federation of Industries advocated tied aid, the Willoch Government simultaneously strengthened the development assistance financially and reformed it toward subsidizing the exports of Norwegian capital. Thus, while

the NIEO had advocated a development strategy aimed at protecting the resource foundation of developing countries from foreign capital, with the surge of the economic crisis the development policy was reformed with the aim to help Norwegian capital alleviate its problems of overaccumulation through spatial fixes.

The reforms of the development assistance complied with an overall turn in the Norwegian state regulation regime, in which the Labour Party would perpetuate the market-promoting policies initiated by the Conservative Party. The energy sector, a cornerstone of the Norwegian economy, was liberalized and strategies for internationalization were elaborated as further expansion within Norwegian territory was expected to be inadequate for future accumulation. The market reform of 1990 marks a significant change in the Norwegian regulation regime, when the resource policy turned from the slogan of national sovereignty through public management and control to internationalization and market rule. This implied that market imperatives were introduced to key industrial sectors that had previously remained protected from the orbit of capital. The structural requirements of profit maximization through competition would thus become an increasingly defining feature of the Norwegian energy sector and other key national industries. The Norwegian state, which remained owner of the energy companies and would remain dependent on continued value creation by these companies, would thus depend on their successful expansion. Nevertheless, instead of the commonly used term ‘deregulations’, the period from the 1980s onward can better be characterized as a process of *re-regulation* in which the Norwegian state increasingly implemented market-promoting regulations aimed to bolster economic growth through the opening up of new markets for Norwegian capital.

7 1989-2002: Neoliberalizing the Norwegian development strategy

The increased focus on internationalization among Norwegian companies, together with the increased global integration of Norwegian society at large, altered the role of foreign affairs in Norwegian politics. Morten Bøås (2006) argues that the formal responsibility of the Ministry of Foreign Affairs to coordinate foreign affairs was challenged in the 1990s by new actors who sought to promote their own agendas by demanding influence on foreign policy making. Foreign policy thus increasingly had to comply with the actions and demands of other state and non-state actors which came to have vested interests in Norwegian foreign affairs (Bøås 2006). Lie thus (2006) argues that the 1990s saw the emergence of an increased politicization of non-state actors in foreign affairs, and consequently that studying Norwegian foreign policy since the 1990s onward must pay careful attention to the interactions of non-state actors with state institutions, and in this way uncover how particular actors influence foreign policies. With the conceptual apparatus elaborated in the theoretical part of this thesis, we can say that foreign policy should be assessed as a condensation of the balance of social forces in wider society

In 1989, Minister of Foreign Affairs Thorvald Stoltenberg (AP) presented the White Paper *on Development Patterns in the International Society and their Effects on Norwegian Foreign Affairs* (St. meld. nr 11 1989-90) to the Storting. *On Development Patterns* was to become a founding document for a new orientation in Norwegian foreign affairs (Tamnes 1997). Here, the Brundtland Government analyzed the processes of globalization and market liberalization occurring at the global scale and outlined a framework with which to adapt the foreign service to this new conjuncture. In *on Development Patterns* the Government explicitly abandons the notion of conflicting interests between developed and developing countries which had been the strategic basis of the NIEO. Whereas the radical proposals put forward with the NIEO had been contested and toned down by the Conservative Party in the 1980s, *On Development Patterns* represents the first step in a definite break with the NIEO and the notions of relations of exploitation and structural inequality between developing and developed countries that characterized this strategy. Instead of global power imbalances, the Brundtland II Government asserted that

“a primary conclusion in the paper is that the regional vested interests more and more develop into the character of global common interests. Foreign affairs that traditionally have been

about *the relationship between nations*, will increasingly be about *nations' relationship to common problems*... On this background it will be necessary to formulate the purposes of foreign affairs in a way that increasingly reflects the coherence between national and global interests. The Government is of the understanding that the task of the Ministry of Foreign Affairs is to *promote Norway's interests abroad, both our special interests and those interests that we have in common with other countries by contributing to world society finding common solutions on international questions*" (St. meld. nr 11 1989-90, p. 45, my translation, original italics)

With *on Development Patterns*, then, world society was presented as a united entity brought together on the basis of common interests. The logic of contradiction between exploiter and exploited which had been the point of departure for the NIEO, was now replaced by a unitary logic of common interests. I will call this logic, which we will see becomes a defining feature of the neoliberalization of the Norwegian development strategy, the logic of *conflation of interests*.

In prolongation of the publication of *On Development Patterns*, a report was commissioned to CEO of Eksportfinans, Borger Lenth, by Minister of Foreign Aid, Tom Vraalsen (SP), to investigate the role of Norwegian business in development aid.¹ As may have been expected when commissioning this job to the CEO of Eksportfinans, the following report suggested drastic changes in development aid in favour of Norwegian industry, with the explicit purpose to restructure the aid sector so as to increase Norwegian exports (Amland 1993). It suggested that Norwegian exports should be tied to development aid by introducing *tied aid*, meaning that aid recipients would have to buy goods and services from Norwegian companies in exchange for aid (Amland 1993, p. 81). Many of the proposals were passed, although revised and modified in the Ministry of Foreign Affairs and Norad (Liland & Kjerland 2003). The yearly provisions for tied aid were increased from 70 million NOK in 1990 to 200 million in 1991, and the chargeback rate of aid provisions was increased from 22% in 1990 to 33% in 1991. This would later increase to 43% in 1992 and finally almost 50% in 1996 (Liland & Kjerland 2003).

In 1991, Minister of Development Aid, Grete Faremo (AP), followed up on the Lenth report by establishing the Forum for Contact with Business and Development with an aim to discuss how Norwegian business could be better integrated into the development assistance (Amland 2003, p. 84). The forum launched a report in 1992, which Amundsen (2003, p. 84)

¹ I have not been able to find this report. This analysis is thus based on Amundsen's (2003) reading.

argues was a wish list from Norwegian business interests, proposing a range of interventions that would increase Norwegian exports through development aid. These reports, which were launched in the first years of the 1990s, mark a shift in terms of the role of Norwegian business in the development assistance. Amland (1993) argues that by 1993, business CEOs, who only a couple of years earlier had been regarded as mere ‘profit makers’ in development aid debates, were by now regarded as legitimate partners in the development cooperation. Norad was now supposed to be a catalyst for Norwegian interests in the developing countries (Liland & Kjerland 2003, p. 161). The most profound discussions of the underpinnings of this shift are found in a White Paper published in 1992.

The capitalist market as a sphere of unity and integration

In 1992 the Brundtland Government published St. Meld. nr. 51 (1991-92) *On Development Patterns in the North-South Relation and Norway’s Cooperation with the Developing Countries*, which I will refer to as *On Development Patterns 2*. This was the first White Paper in which a Norwegian government put forward a comprehensive overview of Norway’s cooperation with developing countries that encompassed trade, development aid and foreign affairs more generally, and which aimed to establish policy coherence between these different policy areas so as to coordinate Norwegian foreign affairs in a coherent strategy. One of the main objectives for the coordination of development policies and foreign policies in general, would be to rearrange the national policies of developing countries so as to strengthen the position of Norwegian companies in these markets (St. meld. nr 51 1991-92, p. 22). Consequently, with *On Development Patterns 2*, the Brundtland Government completely abandoned the NIEO, and embraced market based solutions for development in a new development strategy that entailed “expanding market solutions and promote market liberalization across the globe and to form these elements as a recipe for economic development in the developing countries” (Liland & Kjerland 2003, p. 23, my translation).

The background of the White Paper was a request from the Storting to reformulate the development assistance based on the experiences from the NIEO (St. meld. nr. 51 1991-92). By 1991, the budget of development aid had increased 0,33 percent of GNI in 1970 to 1,14 percent. Following the initiative set in motion by Willoch in the 1980s, the government now sought to establish a comprehensive strategy through which to channel all this money. *On Development Patterns 2* states that it is in the interest of Norway to ensure economic progress in the developing countries because this can increase Norway’s own economic relations with

these countries. Therefore, the north-south relation is posited as one of the most important challenges facing Norwegian foreign affairs in the future (St. meld. nr. 51 1991-92, p. 11).

The Government argued that the restructuring of the Norwegian economy had led to an increased interest in developing markets (St. meld. nr 51 1991-92, p. 34). In the absence of a colonial history, Norwegian economic relations with the distant and high-risk markets of developing countries had historically been of minor significance. But in the wake of the crisis, Norwegian companies began to look toward developing countries, and the Brundtland Government suggested that they should participate in aid activities to establish business activities in these markets (p. 33-34). But due to the underdeveloped economic conditions in developing countries and the lack of business experience in such high-risk markets, internationalization to the global south posed high risks, and financial loss would be expected in the short term. A long-term perspective was thus needed for securing profits, it was argued in the White Paper, which must entail that “state instruments can contain some of the risks. Increased engagement can therefore be promoted through the disposal of instruments for business by public authorities” (p. 245, my translation). Hence, Norwegian capital needed state support if it were to successfully internationalize to developing countries: “it will still be necessary with engagement and participation from Norwegian public authorities to stimulate increased cooperation in this area. The aid funded private sector instruments are central in this picture, and the Government believes that development aid can play a more active role than earlier as a catalyst for transferring capital and technology from the private sector to the developing countries” (p. 243).

For Norwegian industry, the Government argued, “such a development will be desirable because it can strengthen Norwegian companies’ opportunities to assert themselves in the increasingly competitive international market and contribute to place the companies strategically in markets with large growth potentials in the long run” (p. 243). Hence, Norwegian public authorities would “actively contribute to bringing Norwegian business in contact with the markets [of the south], increase the familiarity with Norwegian goods and services in the developing countries and ensure that Norwegian companies can participate in competitive bidding” (p. 34). And to further improve the competitiveness, the government argued that PSD assistance should be directed toward sectors in which Norwegian capital had competence and competitive advantage (p. 245). As we will see, directing development aid toward the sectors in which Norway has a competitive advantage, in particular the energy sector, would become increasingly important, in particular from the 2000s onward.

Consequently, the Brundtland Government proposed to increase tied aid through provisions such as parallel financing and mixed credits. After Willoch had implemented tied aid as a trial in the early 1980s, it had become permanent in 1989. The provisions for tied aid increased to 200 million NOK in 1991 and to over 330 million in 92, and support for PSD was increased six fold in the years 1990-95 (Liland & Kjerland 2003). Despite this significant increase, the Brundtland Government was at pains to emphasize that it saw tied aid, particularly mixed credits, as a form of subsidy that imposed barriers to real competition and thus increased consumer prices for the receiver-country. The Brundtland Government would therefore attempt to reduce the extent of tied aid internationally. But as long as other industrialized countries tied their aid, Norway could not refrain from doing the same as this would weaken Norwegian competitiveness in the international market (St. meld. nr 51 1991-92, p. 253).

To support Norwegian business in their endeavor to internationalize to developing countries through state provisions and subsidies would be in vain without favorable conditions for accumulation in the developing countries. The Brundtland government thus proposed a development strategy that supported the “rearrangement of the national policies of the developing countries that can promote economic growth and sustainable development” (St. meld. nr 51 1991-92, p. 22). Such rearrangements would be implemented through structural adjustment programs with the aim to promote business: “an important goal for the reform programs is to improve the frame conditions for private investments and for profitable business. Reduction in the number of monopolies and restructuring toward more private operation is part of such a process” (p. 199).

The Brundtland Government recognized that many developing countries had resisted attempts by international financial institutions to implement such measures through structural adjustment programs. Notwithstanding the protests, it was argued that “these programs in reality were an expression of a process of adjustment that the affected countries *in all circumstances would have to go through* as a result of the unbalance that had arisen between incomes and expenditures in most developing countries in the 1970s. The choice was therefore not between adjustments or no adjustments, but between *adjustments with or without assistance from the IMF and the World Bank*” (p. 113, my emphasis). Hence, structural adjustment programs were held to be a necessary evil that were inevitable considering the failed regulatory regimes of the developing countries: “such adjustments are seen as necessary to create the foundation for a new and self-supporting growth in these

countries... Favorable national economic frame conditions must be recognized as crucial to achieve economic growth and a more efficient utilization of the development aid” (p. 195).

The new development strategy proposed by the Brundtland Government in *On development Patterns 2* thus sought to support structural adjustment programs through bilateral and multilateral finance institutions (p. 201). Support would be given by direct funding of the programs, or by withholding aid in cases in which governments in developing countries did not show willingness to implement the policies proposed by Norway and the IFIs (p. 201). Withholding aid was indeed done in some instances, for example when Zambian president Kenneth Kaunda in 1991 decided to postpone an IMF proposed termination of price subsidies on corn flour, arguing that it would result in social unrest and misery (Liland & Kjerland 2003). Norway thus withheld significant sums of aid to Zambia, and Brundtland wrote to President Kaunda that Norway was “very worried about your decision to freeze the price on corn flour, and by so doing postponing a key element of the liberalization of the agricultural market and price system” (Brundtland in Liland & Kjerland 2003, p. 35, my translation). Similarly, Faremo argued that structural adjustments were a “painful, but necessary process... Neither the countries themselves nor aid donors can afford throwing resources into stiffened economic structures in which state control and management seize the lion’s share of the countries’ resources” (Faremo in Liland & Kjerland 2003, p. 34).

We see, then, that *On Development Patterns 2* posits the capitalist market as the key locus of development, and development policies are assigned the role of establishing the conditions within which the capitalist market can thrive through market promoting regulations. This would require on the hand to support Norwegian companies in their endeavor to internationalize, and on the other hand to create favorable frame conditions for Norwegian companies in developing countries. The constitutive role of the state is important both at home - through necessary state support and subsidies for Norwegian companies - and abroad - to create predictable and business-oriented state institutions in the developing countries. The policy proposals put forward here expresses what I have referred to as the roll-back neoliberal policy models of the Washington Consensus, entailing a process of institutional destruction to open up for capital accumulation.

On Development Patterns 2 was followed up by the establishment of an expert commission tasked to analyze the Norwegian development assistance and to propose strategies and measures to materialize the strategy outlined in *On Development Patterns 2*. The analysis and proposals of the committee were published in the report *Norwegian South Policy for a Changing World* in 1995 (NOU 1995: 5). The report emphasized the need for

policy coherence among the various spheres of Norwegian politics that by now engaged actively with the global south. The new globalizing conjuncture meant that the north-south relation became integral to increasingly larger parts of Norwegian politics, and it was argued that the development assistance could no longer be treated in isolation from other areas of Norwegian politics. To further the strategy outlined in *on development patterns 2*, the commission proposed to establish a fund that could provide risk capital for business development in the south (See appendix 1 in NOU 1995: 5).

The rationale behind the proposal was that development in the south presupposed a well-functioning private sector. Consequently, development aid should contribute to improve value creation in the private sector. This implied that the “majority of the measures have to be directed toward conditions in society that prevent the development of a healthy and vital private sector” (NOU 1995: 5, p. 260, my translation). It was argued that an important barrier to the private sector was risk that emanated from unstable political regimes in developing countries. The instability of these regimes could lead to disruption of production, and as such cause situations in which “revenues are not allowed to be carried home or other incidences which involve that eventual values of the investment do not benefit the Norwegian investor” (NOU 1995: 5, p. 263). Consequently, the commission held, the risks involved in investing in the countries were often higher than the potential revenues, resulting in malfunctioning credit markets, lacking investments and a structural lack of capital. Hence, “to get Norwegian companies to invest in high risk countries it will normally be a prerequisite that there is adequate coverage for such risks” (p. 263). Consequently, the commission argued that it was necessary to provide these countries with risk capital. It therefore proposed that Norwegian aid provisions should be supplemented with a fund providing risk capital aimed to help Norwegian investors to engage in low- and medium-income countries (NOU 1995: 5). The fund providing risk capital was proposed to be paralleled by a revitalization of the investment risk coverage of the Norwegian Export Credit Guarantee Agency (GIEK). This proposal laid the foundation for the discussions that would result in the establishment of Norfund two years later, in 1997.

The state as catalyst for capital investments: establishing Norfund

In 1997 the Norwegian Development Finance Institution (DFI), Norfund, was established, a latecomer among European DFIs. By 1997, most Western European countries had DFIs that

actively encouraged domestic capital to invest in developing countries. The Norfund Act of 1997 asserts that the purpose of Norfund was “to assist the development of sustainable business and industry in developing countries by providing equity capital and other risk capital, and/or by furnishing loans or guarantees. The purpose is to establish viable, profitable undertakings that would not otherwise be initiated because of the high risk involved” (Utenriksdepartementet 1997, my translation). The purpose of Norfund was thus to function as a catalytic and additional investor. As a state owned and funded investor, Norfund would realize those investments that companies would be reluctant or unable to realize due to high political and economic risks. By demonstrating profitability and establishing basic infrastructure in the developing markets where basic prerequisites for profitable business were lacking or even absent, the Norwegian state would, through Norfund, catalyze private investments in developing countries. That is, the state, through Norfund, took responsibility to be additional - by investing where the market itself does not yield enough capital - and catalytic - to accrue more capital from private sources (Norfund 2011).

The Norfund Act went into effect June 1st, 1997 under the Labour Party Government of Thorbjørn Jagland. October that same year, the AP government stepped down, and a coalition government was formed by KrF, V and the Centre Party (SP). Hilde Frafjord Johnson from KrF was appointed Minister of Development Aid. Johnson had been a fierce critic of the development policies elaborated by the Brundtland Government which tied aid to the promotion of Norwegian business (Liland & Kjerland 2003). Frafjord Johnson immediately began to work toward untying aid. She also collaborated with key state officials in the UK, the Netherlands and Germany, and constituting the ‘Utstein group’ this international collaboration sought to change the OECD-DAC rules to prohibit tied aid. The OECD-DAC had already started to establish legal barriers to tied aid, but the Utstein group worked toward a complete prohibition. Johnson saw tied aid as direct subsidies for domestic business to internationalize to developing countries from the budget of development aid, arguing that it channeled resources away from the poor in favour of business (interview with Frafjord Johnson 2020). Already in 1998 Johnson began to untie aid, and from that year onward mixed credit were reduced every year.

The process of untying aid initiated by Frafjord Johnson provoked protests from Norwegian business. In November 1998 NHO gathered all its members with interests in Norwegian development aid to plan a counter offensive against what they saw as an attack against their interests (Bistandsaktuelt 1998; Liland & Kjerland 2003). Frafjord Johnson emphasizes in interview that she did not necessarily seek to reduce the role of business in the

development cooperation, but instead to change how they engaged with developing countries. Her main aim was to turn private sector participation in aid from an export-oriented to an investment-oriented engagement, as she saw foreign investments as a means to “provide a critical basis for income to the national treasury, enabling public spending on welfare services like health and education for the population” (interview with Frafjord Johnson 2020). However, she argues, “at the time there was very limited interest in the Norwegian business community for investing in Africa. I found this rather embarrassing. Those interested were focusing primarily on export of their own goods and services, much less investments in-country (hence the debate on export credits). I soon realized that we had to do something about this. So I was genuinely interested in turning this around” (Interview with Frafjord Johnson 2020).

In May 1999, the Strategy for Support for Private Sector Development in the South (NIS) (Utenriksdepartementet 1998) was presented before the Storting. In the preface to the NIS, Frafjord Johnson argued that there was a lack of policy coherence in Norwegian PSD, and as the first coherent strategy for PSD, the NIS was an attempt to improve policy coherence in this field (Utenriksdepartementet 1998). The strategy implied a shift from export-oriented development arrangements to investments in developing countries. Due to deficient legal, institutional and political conditions for investments, foreign capital was reluctant to invest in developing countries. This deficiency in the frame conditions for business in the developing countries was posited as the main barrier to development, making improvements in the conditions for private business to prosper central to the NIS. Support for exports through the budget of development aid would thus be reduced and replaced by state stimuli for Norwegian companies to engage in developing countries through investments. The Government argued that the fact that the private sector acts according to motives of profitability gives it a special advantage which makes “Norwegian business a natural partner in the work to achieve the goals of the development cooperation” (Utenriksdepartementet 1998)². Moreover, “Norwegian business has a lot of relevant competence that can be taken advantage of in the work to promote productive undertakings and develop the private sector in the developing countries” (Utenriksdepartementet 1998). Hence, the NIS sought to increasingly integrate Norwegian business in the development cooperation (Utenriksdepartementet 2018).

² The version of the NIS that I have gained access to is not paged.

For the private sector to use its advantage as profit maximizer, it was seen as necessary to continue to furnish the frame conditions within which business would prosper. “Globalization and the increased integration of the world economy, along with the perpetuation of economic reforms in the countries in the south, has generally improved the frame conditions for economic development and private sector development. Deregulation, monetary reforms, market orientation, privatization and trade liberalization are key words in the changes that have taken place” (Utenriksdepartementet 2018). The developing countries had increasingly adopted a market-oriented development strategy more focused on PSD, and the purpose of the NIS was to contribute to further this development. The NIS would thus involve to continue to promote good governance and to improve the frame conditions for business development in developing countries: “to ensure that the economic reform programs get the best possible effects for private sector development, it is important that they are more explicitly focused on establishing favorable frame conditions for private sector development” (Utenriksdepartementet 1998).

This increased focus on PSD had been accompanied by a change in the role of the state, the Government argued, from being an active participant in the economy to commit itself to establish favorable conditions for the private sector. This change in the role of the state had reduced the need for state-to-state aid transfers, and instead increased the need for state-to-private sector transfers: “there is an increased focus on setting economic activities in the private sector in motion and to mobilize national and international capital to this purpose. A coherent strategy for private sector development must take this development into account” (Utenriksdepartementet 1998).

The process of untying development aid would thus continue, but, the Government emphasized, this process would be carried out in a way that would not weaken the overall incentive structures for business promotion. Furthermore, the dialogue between the development aid authorities and Norwegian companies would be improved so as to incentivize companies to take use of the incentive structures. Norfund, the Government argued, would play a key role in the promotion of Norwegian investments in developing countries, and Norwegian companies should to a larger extent be made aware of the possibilities to internationalize that Norfund created. The aim of Norfund was thus to give incentives to Norwegian companies to invest in developing countries (Utenriksdepartementet 1998). A strengthening of Norfund’s capital base was therefore an important part of the overall strategy. In the long run, the strategy aimed to untie Norfund’s activities. But since most other OECD countries had their own funds for the purpose of promoting domestic

businesses, Norfund would initially aim to mobilize Norwegian investors. Through the NIS, the Government was at pains to emphasize that the increased focus on the private sector would give better opportunities for Norwegian business to engage in developing countries.

Hence, the NIS was an outspoken strategy to increase the role of Norwegian capital in the development cooperation, and to actively promote Norwegian investments in developing countries through the budget of development aid. Norfund, with its mandate to be additional and catalytic, was established to spearhead this strategy. The NIS was not, however, the mere result of Frafjord Johnson and her colleague's political convictions. In the interview I conducted with Frafjord Johnson, she argued that the NIS and the ensuing strengthening of Norfund had a two-sided purpose. On the one hand, as we have seen, Frafjord Johnson was genuinely interested in increasing the role of private investments in developing countries. On the other hand, however, the NIS and the strengthening of Norfund was meant to function as a form of leverage against business interests, which had been hostile to her untying policies and mobilized a counteroffensive against her reforms. When asked about the NIS she responds that

“The reason why we did that was that I knew there would be controversies with business interests regarding the question of untying aid. I had to show that there was a role for Norwegian business in developing countries beyond these traditional tools... It was not as if we didn't want private business involved in development cooperation. On the contrary, we wanted Norwegian business to engage and invest in the poorest countries. The strategy was made with exactly that in mind. The development of the strategy was also an opportunity to have a more positive dialogue with Norwegian businesses. The main issue was this: How can Norwegian business contribute to creating jobs in poor countries, and what mechanisms and instruments would help make this happen? And without subsidizing exports from Norway? That was the main rationale, and also to have a dialogue with business in the elaboration of the strategy, so that they felt they were taken seriously. In the long run it was not that smart to be on a war path with them all the time” (interview with Frafjord Johnson 2020).

Hence, the NIS had a two-sided justification to it. On the one hand, Frafjord Johnson and the centrist Government had a genuine wish to integrate business in the development cooperation if they invested in developing countries and not simply exported commodities. On the other hand, however, business interests had mobilized to counter the policies of Frafjord Johnson, and this political mobilization on part of organized capital made it necessary for Frafjord Johnson to compromise with business interests. Likewise, Frafjord Johnson argued that the

process of establishing and strengthening Norfund served two purposes. “Most important, I was genuinely committed and believed in Norfund as a key instrument in development cooperation. But it was also important for me from a strategic point of view, as we had stopped the availability of other instruments” (Interview with Frafjord Johnson 2020). Norfund’s funds were thus increased from 37,5 million NOK in 1997 to 131 million in 1998 (Bistandsaktuelt 1998).

Frafjord Johnson’s aggressive campaign to untie aid was also contested in the Storting. The committee of foreign affairs at the Storting, which sought to find compromises with the parts involved in the process, among them NHO, emphasized the importance of replacing the existing instruments for Norwegian business with new ones in the process of untying aid (Bistandsaktuelt 1999). The committee was particularly concerned that untying would make it harder for Norwegian business to establish activities in developing countries, and in 1999 they decided to postpone some of the reforms proposed by Frafjord Johnson (Bistandsaktuelt 1999). In 2000, the Government had to step down when a majority in the Storting turned against it in a question of confidence. The Labour Party formed a new Government with Jens Stoltenberg as Prime Minister, and in the remaining year of the Government period, the Stoltenberg Government implemented major market-oriented reforms. Among the most contested reforms was the part-privatization of Statoil. The Stoltenberg Government argued that part-privatization would increase the company’s autonomy in the sharp international competition, giving it more freedom to act according to the logic of the market (Lie 2006). State ownership was thus reduced to 80%, and this would later be further reduced to 67%.

The Labour Party lost the elections in 2001, with historically low support. H, KrF, and V formed a new Government, and Frafjord Johnson returned as Minister of Development Aid. Frafjord Johnson now began to implement policies to materialize the NIS in practical policy. She started by establishing a unit for trade and business development for the global south in the Ministry of Foreign Affairs that was supposed to function as a direct link between business and the public authorities to identify areas in which Norwegian business had particular competitive advantages (Bistandsaktuelt 2002, p. 6). As she returned to her second period as Minister of Development Aid, Frafjord Johnson was thus perceived as more conciliatory toward business (Liland & Kjerland 2003, p. 227). Although she continued the process of untying, NHO expressed that Norwegian business interests felt themselves heard when the NIS was implemented in practical policies. NHO thus argued that Frafjord Johnson

had changed her tone toward business and named the 2002 version of the Minister “Hilde 2” (Bistandsaktuelt 2002).

This approval from organized capital was expressed despite the fact that all Norwegian aid activities were officially untied January 1st, 2002. In 2001 OECD-DAC recommended all member countries to untie their aid, arguably partly a result of the work of the Utstein group (interview with Frafjord Johnson 2020). It is important to emphasize that the untying came as a result of a *recommendation* from OECD, meaning that it was an informal and non-legally binding agreement. By 2002 however, all Norwegian export-oriented PSD provisions had been replaced by provisions directed toward investments (Utenriksdepartementet 2002). Hence, as had been promised by Frafjord Johnson, the untying was part of a process of re-directing the provisions for Norwegian business in the budget of development aid. Norfund now became the most important tool for business to internationalize to developing countries:

“to promote investments in developing countries is an important part of the work with private sector development in the south. The Government emphasizes the importance of stimulating Norwegian business to engage in this work. Norfund plays an important role by offering Norwegian companies reduced risks and therefore to make it more attractive to invest in developing countries. The business networks that Norfund establishes open up new and interesting opportunities for Norwegian business” (Utenriksdepartementet 2002).

The untying agreement implied that the provisions provided through Norfund and other channels were no longer tied to Norwegian companies, and that to get project support from Norfund would now go through ordinary international market conditions characterized by strong competition. That is, it meant that Norwegian companies now had to compete with companies internationally for the provisions for PSD provided through the budget of foreign aid. As director of Norad, Tove Strand, put it in her talk at the Export Council’s aid conference in 2002, the untying of aid would imply that the competence of the company, not the country of origin, would now determine who would get the provisions. But, she emphasized, “we also wish to further develop the collaboration with Norfund so that we can systematically support Norwegian financed investments” (Strand 2002, my translation). By then, Norfund’s yearly capital supply from the state had increased from 150 million NOK to 225 million in 2001 and then to 395 in 2002.

Statkraft and Norfund establish SN Power

The market reform in the power sector made Norway a forerunner for liberalizations internationally (Thue 1996). By 2000, the private consultant company Econ³ referred to the liberalization of the energy sector in Europe as a ‘slide’: “in all parts of the European energy market the development tends toward enhanced competition and more open markets. It is like being on a slide. Once on, the direction is given” (Econ 2000, p. 20, my translation). In the increasingly liberalized energy market, enhanced competition would effectively drive companies that did not seek to maximize profits out of the market. The market reform also involved to open the Norwegian power market to international competition, and Statkraft would thus have to comply with the forces of the market if it were to survive. Hence, whereas the market reform initially may have been a political construct, as we saw Thue argue, its effect was to implement market forces into the Norwegian power sector in a way that made competition and profit maximization a structural necessity. Although Statkraft remained state owned, a search for new markets became a structural necessity for Statkraft, and arguably also for the Norwegian state which depended on its revenues and the extended effects the company created for Norwegian industry. In this context, Statkraft began to look toward the global south to alleviate problems of surplus capital, and the budget of development aid would serve as an important instrument in this endeavor.

In the wake of the market reform, Statkraft started to export power to the European market (Skjold 2015). The exports alleviated inflation but did not resolve the problem of the lack of new possibilities for plant constructions, as there were few available hydro resources on the European continent. Countries in the south, on the other hand, and in particular South-East Asia and Latin America, were undergoing widespread liberalizations of public assets as a result of rounds of structural adjustments. The global south thus came to represent new market opportunities of Statkraft. In the early 1990s Statkraft established activities in Nepal. In the early 1990s Nepal had been offered loans by the World Bank and the IMF to alleviate a deep economic crisis which the country was going through. These loans came with conditionalities, and in return for the loans Nepal had launched a comprehensive program of marketization that opened up for foreign investments and private ownership over Nepalese resources (Skjold 2015, p. 66). In 1993, Statkraft bought shares in the Nepalese hydropower project Khimti, establishing a holding company under the name HIMAL Power Company in

³ Econ was influential in the liberalization of the private sector and will be discussed in more detail in subsequent chapters.

which Statkraft had 38 per cent shareholding. The Norwegian companies Further, Kværner and ABB cooperated in the project by securing deliveries for construction and had a five per cent stake each in the Khimti project. When the construction of the Khimti project ran into problems as construction was found to be more expensive than originally expected, Norad stepped in and made a contribution of 25 million NOK to the project (Skjold 2015). This was to be the first contribution of many through the budget of development aid to Statkraft's endeavor to internationalize to developing countries.

After the difficulties experienced in Nepal, the Statkraft board became hesitant to engage in risky markets in developing countries. The Statkraft International Division was established in 1994 to identify new projects, but for the next 8 years the division would not get one single project accepted by the board (Skjold 2015). It was not before 2002, with the untying of aid and the strengthening of Norfund, that Statkraft would find a suitable partner when representatives from Statkraft and Norfund began to discuss collaboration during an official visit to India together with prime minister Jens Stoltenberg. The Statkraft board was soon convinced that Norfund was a reliable partner, and in 2002 it was decided to establish a separate company, SN Power, in which Norfund and Statkraft had 50 percent ownership each (Skjold 2015, p. 200).

SN Power soon began to acquire waterfalls in developing countries. Skjold (2015) argues that Latin America appeared particularly interesting to SN Power because many countries in the region had privatized their energy sectors in the 1990s and were experiencing high economic growth in the early 2000s, which created a growing need for electricity. Furthermore, a financial crisis had struck the region which forced many companies to sell off their stakes in hydropower developments (Skjold 2015, p. 205). In 2003, SN Power thus started to acquire companies in Peru, and by 2007 it became the fifth largest power generator in Peru (Skjold 2015, p. 209). It also established production in Chile in 2004, in which hydropower development had become extraordinary profitable after electricity prices had sky-rocketed when Argentina had to cut off cheap gas supplies to Chile when it was hit by an economic crisis in 1999 (Skjold 2015, p. 211). In 2004 SN Power turned toward India, in which a strong demand for electricity gave good energy prices and hence "good prospects for profitability for hydropower projects" (Skjold 2015, p. 217). Two years later, in 2006, SN Power turned toward the Philippines where the state had begun to sell off power plants and liberalized the power markets in order to service its national debt (Skjold 2015, p. 2019). Consequently, when the Philippine state proffered the largest power plant in the Philippines for sale in 2006, SN Power bought it together with the Philippine conglomerate Aboitiz,

making SN Power a 50% stakeholder. SN Power and Aboitiz organized a joint venture, and in 2007 it acquired another privatization project from the Philippine state (Skjold 2015, p. 220).

A shift had occurred in the objective of the Norwegian resource policy, from a slogan of national sovereignty and public management and control, to the acquisition of state-owned resources in developing countries. In other words, accumulation by dispossession was emerging as a new mantra for the Norwegian resource policy. In this same period, the marketization of the development strategy continued. The White Paper *A Common Fight against Poverty: A Coherent Development Policy* (St. Meld. nr 35 2003-04) was launched in 2004, furthering the ambition to make development aid an integrated part of the general foreign policies, creating policy coherence between policy fields. The government sought to replace the notion of *aid* with *development*, overcoming the tendency to treat aid as an isolated policy field. Instead, development should be sought through an overarching strategy which encompassed the whole foreign policy apparatus (Lie 2006). The Minister post of aid was thus renamed Minister of Development. Moreover, business was posited as *the* foundation for Norwegian development policy: “It is values created by companies and business which will secure both economic growth and public welfare provisions, and thus also make poor developing countries less dependent on aid. In many ways, development aid must aim to contribute to the thriving of this value creation (St. meld. nr 35 2003-04, p. 149). The NIS was thus proposed to be strengthened, and Norfund would provide opportunities for Norwegian companies to invest in developing countries. Norfund’s yearly capital supply was thus increased to 485 million NOK in 2004.

The aim to establish policy coherence was followed up by an institutional reform in which strategic issues concerning development aid were moved from the jurisdiction of Norad to the Ministry of Foreign Affairs. Whereas in many other policy fields, such as education, health and justice the political processes were moved out of the Ministries, the reform in the aid sector integrated the political and strategic work into the Ministry (Grønlie & Flo 2009). Lie (2006) argues that the increased focus on policy coherence and the integration of aid activities into the Ministry of Foreign Affairs involved a politicization of the development cooperation. Aid was no longer seen primarily as charity, but as politics related to domestic concerns (Lie 2006). And, as we will see in the next chapter, interest groups would continue to mobilize to accommodate the direction of the development policy to their strategic interests.

Summary

We have seen that the period 1989-2004 was marked by a process of marketization in which concerns for capital came to increasingly dominate development policies. The trajectory narrated in this chapter largely expresses dominating international policy models, from the roll-back institutional destruction through structural adjustments promoted by the Brundtland Government to the roll-out neoliberal reforms of Frafjord Johnson promulgating Norwegian investments in developing countries. The deepening of the neoliberal project at the international scale brought about enhanced competition in the global capitalist market. This competition was felt in the Norwegian market, in which market-oriented reforms undertaken in the Norwegian economy in the early 1990s introduced market imperatives and enhanced competition into the Norwegian market. The liberalized energy sector exposed a cornerstone of national industry to this enhanced international competition, exerting competitive pressure on Norwegian capital and hence also the state.

Alongside the deepening of the neoliberal project, this chapter has emphasized conditions internal to Norwegian society. The first comprehensive reforms of the Norwegian development strategy were undertaken in the years 1989-1993 when the Norwegian economy was undergoing a serious depression and key industries launched strategies to alleviate their capital surpluses. Along with the structural pressure from the increasingly competitive market, we have seen that business interests mobilized to conform the development policies to their strategic interests, the result of which was that politicians such as Frafjord Johnson had to compromise with organized capital in the elaboration of development policies. Problems of overaccumulation and enhanced international competition thus posed a threat for the material foundation for both Norwegian capital and the state. A combination of pressure exerted by business interests and the state's structural reliance on capital accumulation in a situation of crisis and enhanced global competition can thus provide an explanation for the neoliberalization of the development strategy in the period 1989-2004.

Market-promoting regulations that could transform social relations and build appropriate state institutions in developing countries increasingly came to define the development strategy throughout this period. The neoliberalization of the Norwegian development strategy in this period can thus be said to develop in tandem with the emergence of a wider state project. Throughout this period, we see the development of policies tending toward coherence in a direction of a wanted strategy of internationalization of Norwegian capital to developing countries, with an explicit emphasis on policy coherence. Development

policies were increasingly directed toward promoting spatial fixes through accumulation by dispossession. The concerted coercion exerted by business interests and the state's reliance on accumulation forged changes in the strategic selectivity of the Norwegian state as market-promoting regulations increasingly replaced the market-limiting regulations of the NIEO. This is to say that this process of neoliberalization did not entail a weakening of the state, but a process of re-regulation in which a changing balance of class forces in wider society was materializing within the state.

8 2005-2019: Toward consolidation of the neoliberal state project

Lie (2012) argues that the turn of the century marks the beginning of a new era for the Norwegian economy. Norway really became a rich country, primarily as a result of the revenues from petroleum production and the financial revenues from the oil fund which grew substantially during in this period. Despite this economic boom, the neoliberal reforms continued. In a master thesis, Tryggve Kielland (2007) argues that this economic stabilization invalidates explanatory models that seek to understand the increased importance of business in the development cooperation in relation to shifting economic conjunctures and the strategic mobilization of interest groups and political parties. Kielland (2007) argues that the continued strengthening of business in the development cooperation despite good economic outlooks in Norway leaves us in an explanation vacuum, and thus argues that only an ontological idealism can provide the theoretical basis with which to explain this process. He argues that the dominating ideas of bureaucrats and state administrators should be seen as the causal explanation behind the elaboration and consolidation of state policies, and not material relations. Hence, he argues, the state is a powerful actor in its own right, an autonomous agent in the formation of policies (Kielland 2007, p. 39).

Kielland thus isolates the state from wider social processes. On the basis of my theoretical approach, I argue that Kielland's refusal of the materialist understanding of this process fails to account for two crucial dimensions. First, in seeking to find immediate and short-term causality between the economic conjuncture and the strengthening of business in the development cooperation, he fails to account for the strategic selectivity of the state. I have argued that the boundary between the state and the market tends to be institutionalized in certain regulation regimes which give the state a certain strategic selectivity that favors the strategic needs of certain interest groups over others. In this way the state is not merely a tool, or an instrument, which is easily utilized for whichever interest group might seek to capture state power. Instead, the historical evolution of regulation regimes institutionalizes the power of the dominant class in wider society, meaning that, as a social relation, the *institutional materiality* of the state internalizes the changing balance of social forces in wider society and thus makes it biased to privilege some interest groups over others. I have argued that the 1990s and early 2000s saw a changing balance of social forces condense within the Norwegian state. Arguably, the good economic outlooks of the early 2000s must be seen

against this background in which the strategic selectivity of the state was changing, materializing a certain balance of social forces.

Hence, this thesis seeks to understand the trajectory of the Norwegian development strategy in relation to a broader process of neoliberalization of the Norwegian state. And this necessarily has an international dimension to it, as particular and local neoliberal trajectories must be seen in relation to the abstract international processes of neoliberalism-in-general. This makes for a second disagreement with Kielland's approach which is that of his methodological nationalism. As a state within a system of nation states, Norwegian policy makers act within the social relations of an increasingly deep neoliberalization of global capitalism. International policy models and an increasingly competitive global market impose pressure on the Norwegian state. When seen against these background conditions, I argue that the role of business in the development cooperation is a much more complex set of relations, and it is the interaction among these various moments that I will seek to explore in the following chapter.

Changes in the management of Norfund

In 2005, the second Stoltenberg Government was formed, this time in coalition with the Socialist Left Party (SV) and the Centre Party (SP). Erik Solheim (SV) was appointed Minister of Development, and Jonas Gahr Støre (AP) Minister of Foreign Affairs. As for Statkraft, the ambitious strategy for expansion in Europe had not proceeded as far as expected. With the failure to consolidate a position in the European market, new growth areas had to be found (Skjold 2015). Whereas the Statkraft board had remained skeptical to invest in developing countries when SN Power was established in 2002, by the time the second Stoltenberg Government was formed, Statkraft now had developing countries as one of its key strategic areas for future investments. Asia and Latin America were experiencing strong growth and an increased need for electricity, and the strategic focus of Statkraft shifted toward the south. This was arguably a background condition for the decision made by the committee for foreign affairs in 2007 that renewable energy would be prioritized in the Norwegian development cooperation (Riksrevisjonen 2014). Norfund, which by now was bound by a mandate from the Storting to invest at least 50 percent of its capital added in renewable energy, would be the most important instrument in this undertaking (Riksrevisjonen 2014).

During the period of acquisitions in developing countries through SN Power, the Norfund board had been notified by a whistleblower among the Norfund staff concerning Norfund's CEO, Per Emil Lindøe, who, the whistleblower informed, had been conducting investments that were not in line with Norfund's mandate, and systematically withheld information about these investments from the board. The Office of the Auditor General of Norway (OAG), which monitors the public sector, stepped in to investigate the case, and in 2007 it presented a report in which it concluded that Norfund had not been following up on its development mandate (Riksrevisjonen 2007). Since its establishment, Norfund had had a clear mandate to invest in least developed countries (LDCs). In 2004 the Storting explicitly formulated that Norfund should have about one third of its investments in LDCs, and from 2005 this was reformulated to amount to "at least" one third (Riksrevisjonen 2007, p. 8). The OAG's study revealed that in practice, less than a fourth of Norfund's investments were undertaken in countries in line with its mandate. Instead of investing in LDCs, Norfund had largely focused on medium-income countries, particularly in Latin America and South-East Asia.

The OAG emphasized Norfund's investments through SN Power as an important factor in explaining Norfund's failure to comply with its mandate. "Following OAG's estimations, Norfund's investments through SN Power have neither been conducted in countries that are specified in the Norfund Act, nor have they complied with the countries that Norfund have been supposed to engage in" (Riksrevisjonen 2007, p. 13, my translation). SN Power's purpose, OAG argued, focused on economic and market-based criteria, which complicated the fulfillment of Norfund's development-focused purpose. Hence, the OAG concluded that Norfund had failed to comply with the development mandate set by the Storting (Riksrevisjonen 2007). Frafjord Johnson (interview 2020) also explains that she had misgivings with the priorities set by the initial Norfund-leadership: "we thought Norfund in this early phase was too oriented towards investing in middle-income countries and it appeared to be leaning more towards Norwegian energy-interests".

Following these controversies, Per Emil Lindøe had to step down as CEO in 2006. The Stoltenberg Government was thus tasked to steer out a new direction for Norfund. Kjell Roland, a personal friend of Stoltenberg, was appointed new CEO of Norfund. Roland was an economist and consultant who had established the influential private consultant company Econ in 1986. Jens Stoltenberg was chair of the board in Econ in 1992-93, and Gahr Støre chaired the board in 2002-2003. Roland was also a member of the Labour Party, in which he later has had appointments such as member of the International Committee (2017-19). Skjold

& Thue (2007) argue that through Econ, Roland had had a decisive role in influencing the liberalization of the Norwegian energy sector, and that he “is probably the consultant who has had greatest impact on the formation of the Norwegian and Nordic power market since 1990” (p. 609, my translation). Roland also had influence on other, related, policy areas. Yngve Nilsen (2001) shows that Kjell Roland and Econ came to have decisive influence on the elaboration of the Norwegian environmental policies in the 1990s, particularly in relation to the petroleum industry. In an interview with *Morgenbladet*, Roland confirms that he and the environment around Econ were influential in the part-privatization of Statoil undertaken by Jens Stoltenberg in 2001 (*Morgenbladet* 2020, p. 15).

In his endeavor to reform the energy sector, Roland sought to elaborate a strategy for the Norwegian economy as a whole. His strategic endeavor is particularly pronounced in two of his publications, the Econ report *The Energy Sector at a Crossroads* (Econ 2000), which Roland co-authored with colleagues from Econ, and the book Roland co-authored with economist and Minister for the Conservative Party Victor Norman and economist Torger Reve in 2001, *The Problem of Wealth* (Roland, Norman & Reve, 2001). Statoil and Statkraft were among the sponsors of both publications. In these publications, Roland argues that excessive political management and oil dependency was jeopardizing the Norwegian economy (Roland, Norman & Reve 2001). Facing increased competition in the international market, Norway should reform its economic management by introducing market incentives in state owned companies. Furthermore, the Norwegian state should diversify its economy by actively creating the conditions for internationalization for strategic sectors, in particular the energy sector which made up 15-20 percent of the annual Norwegian GDP, in addition to significant extended effects in the economy at large through the supply-chains and energy demanding industry (Econ 2000, p. 17). Hence, Roland argued that the energy sector was central to the Norwegian economy, and that it represented one of only two industrial environments in Norway that could take a leading position internationally by creating large and internationally competitive companies (Econ 2000, p. 17).

State-supported internationalization of the energy sector was thus emphasized as crucial for future Norwegian value-creation and wealth. The fact that the energy resources on Norwegian territory were declining, made internationalization not only a possibility, but a necessity, according to Roland (Econ 2000). The urgency of this was intensified with the increased competition in the European energy market which Roland argued would lead to the annihilation of the less competitive companies. In Europe, the energy markets were developing in fast pace toward open competition, and Roland argued that it was an important

moment to build international competence and create a competitive advantage in order to consolidate a good position in the international market. Roland thus suggested that Norway should adopt a strategy of “industrial reorientation”, in which public authorities should create the conditions for Norwegian companies to operate in the international energy market by dismantling barriers to competition: “*our recommendation is therefore that the public owners within power and petroleum engage actively and offensively to **bring forward** and develop today’s energy companies to become internationally competitive actors* (Econ 2000, p. 10, my translation, original italics and emphasis).

Hence, Roland saw the internationalization of the energy sector not only as a possibility, but as a necessity for the future consolidation of the Norwegian economy in the increasingly globalized economy. Roland brought these visions with him when he stepped up as new CEO of Norfund in 2006. In 2011 Roland wrote in a report commemorating Norfund’s 15 years of operations that Norfund should be scaled up as the third leg of the Norwegian state, beside the petroleum funds Government Pension Fund Global and the Government Pension Fund Norway (Norfund 2011a, p. 3). If scaled up, Roland argued, Norfund’s investments “would probably give higher revenues than what the pensions funds have in recent years” (Norfund 2011a, p. 3).

In 2007, Solheim appointed Kristin Clemet chair of the board of Norfund. Clemet had been a central politician for the Conservative Party in the 1980s and 90s, and was the political advisor for Kåre Willoch in the reform years of 1985-86, and was later Minister of Labour and Administration, vice CEO in NHO and Minister of Education before she started as CEO in the conservative think tank Civita, a position in which she remains today (2020). Together with Roland as CEO, Clemet would remain chair of the board of Norfund until 2018. Clemet says that “initially the motivation to accept the job was because Erik Solheim begged me to do it”. But, Clemet asserts, she also found the job as chair in Norfund interesting because it could create synergies with her ideological work in Civita: “if you are to have an appointment beside your job, and my job is Civita, it is often smart to have some kind of synergies between the job and the appointment. And one could say that there were synergies in the way that we have worked a lot with aid and development here in Civita, and it is part of our “ideological” platform that we believe that private business is important for social development, which is also the idea behind Norfund” (Interview with Clemet 2019). And indeed, as we will see, Civita has been used as an ideological platform for advocating business-oriented development policies.

With the new board in place, Roland, who was an experienced lobbyist and had close personal and professional ties to Government officials, immediately began lobbying. Roland says that “I have been working for almost ten years to scale up investments in renewable energy. We have tried to get Norway, probably through GIEK, to provide guarantees that can reduce some of the risks for private investors. The Ministers of Aid have always been positive. Then I have talked to all the Ministers of Trade and Industry, some Ministers of Energy and all the Ministers of Finance” (Interview with Roland 2019). In the years following the establishment of the new management of Norfund, renewable energy would become the new strategic focal point for the Norwegian development strategy.

Consolidating the neoliberal turn

As Norway’s first socialist Minister of Development, Erik Solheim made a rather surprising entry to his new job. Several of my informants emphasized that the role of business in the development cooperation took a new turn with Solheim, who consolidated the idea and practice of development aid as an instrument to provide the frame conditions for business, Norwegian business in particular, to establish activities in developing countries. The fact that Solheim represented a socialist party was particularly important in normalizing this development strategy across the political spectrum, many of my informants assert. Frafjord Johnson (interview 2020) argues that “Erik Solheim, the minister from SV who succeeded me, positioned himself differently in relation to Norwegian business interests. While there was not much of a change in practice and substantively, the rhetoric was different, portraying a close partnership with Norwegian business, a shift the business-interests in Norway seemed to appreciate”. Bård Thorheim, political advisor for Børge Brende (H) during his period as Minister of Foreign Affairs from 2013-2017, refers to Solheim’s development policy as right-wing politics: “the left-wing has had big problems with the notion of vested interests. But then it got easier for them when they formed Government to advocate the agenda which in reality is more a right-wing agenda” (Interview with Thorheim 2019).

Clemet asserted that “the most surprising Minister has been Erik Solheim who is “manic” in his concern for private sector and business as instruments for development. But he is supposedly from the left. It was he who in a way opened up for this whole perspective in Norway, and made it possible for Norfund to become so well established and accepted, that was because a Minister from SV came and said this... He really opened it up” (Interview with Clemet 2019). Likewise, Magnus Ruderaas in the International Department of NHO said

in an interview that “the Minister of Development that has been most outspoken on these kinds of synergies [between development aid and promotion of Norwegian business] was Erik Solheim. Solheim was very explicit that business possesses the key. Business, job creation and investments are the key, and then afterwards different Ministers of Development have varied in the extent to which they have emphasized it” (interview with Ruderaas 2019).

The reflection project

In 2006, Gahr Støre initiated a project aimed at discussing Norwegian interests and the role of foreign affairs in a changing and globalizing world. The project was named the ‘reflection project’ and sought to engage in a new round of comprehensive evaluation of foreign affairs, 20 years after Thorvald Stoltenberg had initiated the reform of the development strategy in *On Development Patterns* (Lunde & Thune et. al. 2008). With the reflection project, Støre sought to open up for a discussion on the notion of vested interests in the foreign policy. In 2008 the book *Norwegian Interests (Norske interesser)* (Lunde & Thune et. al. 2008) was launched as an independent foundational report for the reflection project, written by resource persons connected to the Reflection Project within and beyond the Ministry of Foreign Affairs.

In *Norwegian Interests* it is argued that globalization meant that “Norwegian and welfare oriented interests to a larger extent must be preserved outside of the national borders” and that it is “therefore both in our narrow vested interests and of value related reasons completely necessary that Norway works actively to integrate the developing countries in the global economy. It is important to contribute to development by creating the conditions for trade, migration and investments between Norway and such countries” (Lunde & Thune et. al. 2008 p. 96-97, my translation). Furthermore, it is argued, “in the years to come Norway will bring an increased part of its incomes from other countries, and these incomes will primarily be tied to capital investments. It is therefore important that public authorities through foreign policies work actively to ensure that these investments get safe and just conditions in as many countries as possible” (Lunde & Thune et. al. 2008, p. 97).

Consequently, the development cooperation, it is argued, has overarching strategic significance for Norwegian welfare. It was thus necessary to strengthen the support for strategic Norwegian investments in developing countries, and “for Norway’s part it is particularly important to facilitate investments in industries where Norwegian actors have encompassing competence, as oil and gas, seafood, hydropower, metals and some environment technologies” (Lunde & Thune et. al. 2008, p. 111). Hence, the authors argued

that, with an increasingly globalized economy, the development cooperation had obtained a broader strategic significance for Norwegian welfare, and development aid should therefore be directed toward securing the future of the Norwegian welfare state.

The reflection project culminated in the White Paper *Interests, Responsibilities and Opportunities: The main features of Norwegian foreign policy* (St. meld. nr 15 2008-09) in March 2009. The strategy presented here drew particularly on the analyses and conclusions from *Norwegian interests*. The government states that the oil dependency of the Norwegian economy places Norway in a position of economic insecurity. Rising climate consciousness, significant variations in the oil price and decreasing petroleum resources is presented as a challenge to the sustainability of the Norwegian economy. The government argues that it still regards it “an important task for foreign policy to assist the Norwegian energy industry in its endeavor to internationalize” (p. 64, my translation). State support for internationalization of the petroleum industry would be continued, but the insecurity of the oil market, it is argued, makes it necessary to diversify the economy. By 2009, the revenues from the petroleum industry amounted to almost a fourth of the Norwegian GDP, and almost a third of the Norwegian State’s income (p. 60). Hence, “we have to deal with the difficult questions”, the Government asserted, “and let them color the thinking and strategy for promotion of economic and welfare-interests: What will we live off when oil and gas eventually become less important sources of income?... How can we contribute to economic development in poor countries at the same time as we protect our own exposed industries?” (p. 19).

Other industries thus had to be strengthened, and renewable energy was presented as an particularly important industry for Norwegian value creation. The government therefore launched the initiative *Clean Energy for Development* with which it sought to “encourage and support Norwegian companies to invest in hydropower and other projects for clean energy in developing countries” (st. meld. nr 15 2008-09, p. 133). Moreover, the government introduced the concept of Norway’s “extended vested interests” (p. 20). Globalization, it was argued, “implies that the interests of Norwegian society are extended in the direction of the traditional ideal-political field, which therefore becomes increasingly important. The parts of foreign policy which have normally been associated with ideal-politics become necessary instruments and competence to promote the interests of Norwegian society. Or to put it bluntly: Competence within development policy and international institutional development becomes advantageous realpolitik” (p. 20). On the basis of this logic, in which development assistance would become an explicit instrument for the promotion of Norwegian interests, the Government wanted to increase policy coherence among all aspects of foreign policy in a

way that would be consistent with the strategic requirements of the future welfare of Norwegian society. The concept of extended vested interests thus perpetuates the logic of conflation of interests that we saw evolve throughout the 1990s, but it now becomes more explicit in formulating this logic as a step toward integrating development assistance into a strategic project to internationalize domestic capital.

The ‘weaponization’ of trade policies in the wake of the financial crisis

Interests, Responsibilities and Opportunities was launched in the midst of the turbulences of the 2008-09 financial crisis, and the concerns for the Norwegian economy and the emphasis on increased policy coherence presented in the White Paper must arguably be seen in relation to the conditions created by the crisis. In 2008, Norwegian policy makers feared for a serious recession (Lie 2012). Several expansive measures were presented, and GIEKs provisions for export credits were increased significantly (Lie 2012). In 2009 the crisis hit the mainland economy, and at the time *Interests, Responsibilities and Opportunities* was presented, in the first half of 2009, the Norwegian economy experienced a decrease in the GDP of 1,7 percent (Lie 2012). The financial crisis and its implications for the trajectory of neoliberalism will provide an important background condition for the remaining analysis.

We saw in chapter 4 that the Washington consensus was effectively sidelined after the 2008 financial crisis. As China and other emerging economies arose as major economic actors, developing countries were experiencing a larger room for maneuver as they were becoming less dependent on aid from the traditional DAC-donors. Furthermore, with depressing rates of growth in northern countries, the state-led and coordinated strategies of spatial fixes deployed by China has brought about increased geopolitical rivalry for resources and access to developing markets. These problems of overaccumulation and enhanced global competition have made northern countries coordinate their development policies within overarching state-led strategies to strengthen the position of key national industries in international markets, securing them access to developing countries. Ivar Slengesol, CEO of the Norwegian Export Credit Agency (ECA), Export Credit Norway, confirms this tendency, arguing that “we see that ECAs and DFIs become more integrated. And the countries use the DFIs, like Norfund, more and more explicit to promote their own export industries” (interview with Slengesol 2019).

Slengesol refers to the 2018 Annual Report of the ECA of the US federal government, EXIM, in which it is argued that

“the official export credit landscape has undergone a fundamental shift in the post-global financial crisis world. Outside of the US, the ECAs are no longer viewed predominantly as transaction-oriented, reactive lenders of last resort. Instead, foreign ECAs are increasingly being ‘*weaponized*’ - *specifically organized and equipped to be maximally flexible and proactive in order to incentivize a shift in sourcing or support trade policy, particularly in key industries*” (EXIM 2018, p. 2, my italics).

The report leans on Harding & Harding’s book from 2017, *The Weaponization of Trade: The Great Unbalancing of Politics and Economics*, to argue that “governments are increasingly using trade to achieve strategic objectives, particularly in key industrial sectors...

‘*weaponization*’ refers to governments calling on ECAs to be more proactive in finding business and to provide additional support for targeted industries or countries on the basis of national interest” (EXIM 2018, p. 2). The shift toward “*weaponization*”, EXIM argues, began when China, Japan and Korea applied competitive pressure by coordinating their export credit agencies in “whole-of-government efforts to develop priority sectors” (p. 3). This, the agency argues, has prompted a “*sea change*” in Europe, in which governments seek to reinvent their export credit supports and coordinate them with their DFIs to foster proactive national economic strategies for international trade and investments. Hence, comprehensive policy coherence is sought to be achieved as a response to the increased competition with China and emerging non-OECD economies, by integrating development aid institutions into an aggressive search for new markets.

Slengesol argues that “countries become more aggressive in supporting their export industries, and in using what is supposed to be directed toward aid, that is the DFIs, to promote business. And they use, as Denmark does, all their instruments to promote business and couple aid much closer to business promotion” (interview with Slengesol 2019). And this tendency, Slengesol argues, has been “very manifest since the financial crisis. It is an arms race to use financing as an instrument to promote domestic business and export. And it affects the DFIs, of course” (Interview with Slengesol 2019).

Norway - a green island in an ocean of state debt

Notwithstanding the negative GDP growth in 2009, the financial crisis would have limited implications for the Norwegian economy compared to other advanced capitalist countries. The mainland economy was indeed affected by the crisis, but the petroleum sector kept activity in the economy as a whole at a high level. Consequently, the 1,7 percent GDP drop in 2009 was very low compared to other advanced capitalist countries, and by 2010 acceptable rates of growth were re-established in Norway (Lie 2012, p. 191). In 2011 Central Bank CEO Øystein Olsen's thus stated that Norway was "a green island in an ocean of state debt" (Olsen in Lie 2012, p. 177). As in the 1970s, the petroleum sector staved off the international crisis. Despite the good national economic outlooks, however, advances have been made to further reform the development policies in line with international policy models. But this time market-promoting regulations have primarily been advocated by neoliberal strategists and state officials promulgating what they see as sustainable strategies for Norwegian capital in general, while Norwegian capital has remained rather passive. Ola Nafstad, Chief economist in Norfund, says about this period that "we have worked incentivize Norwegian companies, but that has generally been a disappointing project" (interview with Nafstad 2019).

In 2011, Roland advocated a development policy that compromised between the Washington and the Beijing consensuses, entailing a more strategic and comprehensive effort to bring forth state-led PSD (Norfund 2011a, p. 10). That same year, Erik Solheim and Norfund came together with NHO, the Enterprise Federation of Norway and the Norwegian Shipowners Association to establish a chamber of commerce to increase Norwegian capital's economic activities in Africa. Together they established the Norwegian-African Business Association (NABA). Nafstad (interview 2019), argues that the initiative to establish NABA was taken by Solheim with the aim to outsource from Norfund the activity to mediate the Norwegian business environment with African markets. Norfund has since had close ties to NABA while Norfund's contact with Norwegian business has become less explicit and apparent. Nafstad is part of NABA's board of directors, and Kjartan Stigen from Norfund as well as Kjell Roland form part of the NABA advisory board.

CEO of NABA, Eivind Fjeldstad, argues that the primary task of NABA is to engage the Norwegian business community to establish activities in African markets (interview with Fjeldstad 2019). To comply with its purpose, NABA works both toward policy makers through lobbying and toward the business community to circulate information about the potential and possibilities to successfully invest in African markets. Fjeldstad argues that "we

know that the Norwegian business community has to internationalize if it is to succeed in the future, and I find it terribly regrettable if they don't have African countries on the radar when this is where many of the great opportunities exist" (interview with Fjeldstad 2019). He refers to the surge of 'the new scramble for Africa', arguing that "this is what we see as well. Zambia's Minister of Industry and Trade was here in 2012, and he said that 'now I am here, I invite you to come to Zambia, establish business there, but don't come complaining if you come in a few years and there are only Chinese there. I was here, and I invited you'. And this is how it is, the train leaves the station if we don't act now" (interview with Fjeldstad 2019).

As CEO of NABA, Fjeldstad has been an active advocate to utilize the budget of development aid as a catalyst for Norwegian business promotion. In later years, Civita has published a number of articles about development politics, and in 2019 Fjeldstad wrote an article for the think tank arguing that the Norwegian development strategy has gone a long way in integrating the private sector into the development cooperation, but that the traditional separation between business promotion (*næringsfremme*) and PSD (*næringsutvikling*) prevails, impeding both developing countries and Norwegian companies to thrive. Fjeldstad argues that to transcend this division would create win-win synergies for developing countries and Norwegian business, and thus advocates a development policy based on what he terms '*næringsfremvikling*', a combination of *næringsfremme* and *næringsutvikling* (Fjeldstad & Moss 2019).

Fjeldstad's article was followed up by an article by Bård Thorheim, political advisor for Børge Brende during his time as Minister of Foreign affairs in the period 2013-17. Thorheim advances the same argument,

"to promote Norwegian business in developing countries is also good aid policy. I agree with Moss and Fjeldstad's conclusions but argue that we should go even further. Aid resources should be used as risk capital for Norwegian companies that wish to establish activities in the poorest countries... The risks involved in these investments are high, financial institutions are almost absent in many of the poor countries. It takes time to achieve results. But if we build over time, we can achieve a unique position in growing markets. This requires capital that is long-term and willing to take risk. The commitment to Norfund in recent years has been important, but not enough. If Norway is to contribute to get volume in the economies of African countries and at the same time catch the possibilities in countries that in a few decades will have large middle-classes and consumer purchasing power, only a state-private collaboration with the use of aid resources can realize this (Thorheim 2019, p. 14).

Thorheim (2019, p. 14-15) relates the urgency to promote Norwegian business through the development cooperation to the fact that other European countries and China have already materialized such policies. Hence, he argues that “Norwegian business has to manage to consolidate a position abroad. [My proposal] contributes to the restructuring of the economy and the internationalization which I mean we depend on in the future” (interview with Thorheim 2019).

Export Credit Norway has also advocated stronger coherence between the development policy and industrial and trade policies. Ivar Slengesol, Director of Strategy and Business Development in Export Credit Norway has in recent years advocated an export-oriented green shift of the Norwegian economy: “a race between countries about building the future’s green export industries has started. Norway should match our trade partners with clear export objectives and new instruments”, he argues in an opinion piece in 2019 (Slengesol 2019). Slengesol and Export Credit see the weaponization of trade that has surfaced with the emergence of China and other Asian economies in relation to increased environmental consciousness, which has created new dynamics in the world market. Through his position in Export Credit Norway, Slengesol has advocated a shift in the Norwegian industrial policy, arguing that Norway must coordinate its policy instruments to restructure the Norwegian economy toward green and export-oriented industries that can consolidate good positions in the world market.

This advocacy for transferring international policy models to Norway by strategists who promulgate what they hold to be in the long-term interest of Norwegian capital-in-general, seems to have had resonance in the elaboration of development policies.

Contradictions and coherence in the process of neoliberalization

In 2011 the Stoltenberg government presented a White Paper in which it announced that the development cooperation would be strategically committed to “prioritize areas where Norway has distinct competence: Renewable energy and long-term administration of natural resources” (St. meld nr 14 2010-2011). Renewable energy thus became the prioritized sector for the PSD assistance. The state increased its capital provisions to Norfund, which was bound to have 50% of its investments in renewable energy, from 629 million NOK in 2010 to

1 billion NOK in 2011. This significant capital increase was earmarked to the construction of renewable energy in developing countries:

“the success of SN Power with the construction and production of renewable energy in poor countries with basis in Norwegian hydropower competence and capital is the main reason why Norfund in the 2011 state budget has received a significant capital increase. The funds are earmarked to a strengthened commitment on renewable energy. The capital increase and the instructions to develop new and more adapted instruments will influence 2011. Our objective is to stimulate increased development of renewable energy projects and engage more partners. As organization Norfund has consolidated our role as a central agent in Norwegian aid, at the same time as we continue to develop new partnerships with strong Norwegian investors. Norfund’s role and competence extends beyond our investment activities. We want to be a promoter to develop new instruments for investment and build an environment for investments in developing countries in Norway. We are in continuous dialogue with, among others, GIEK and different banks, and hope to create a “cluster” of agents and competence that can invest in fast growing, but poor countries” (Norfund 2010, p. 2).

In 2009, Norfund had founded the company Agua Imara together with SN Power, BKK and Trønderenergi, two of the largest energy companies in Norway after Statkraft. Both companies are owned primarily by Norwegian municipalities, and Statkraft is a 47% shareholder in BKK. With the capital increase in 2011 Norfund invested 1,1 billion NOK in SN Power and Agua Imara (Norfund 2011b).

Furthermore, Statkraft was provided 14 billion NOK in 2010 in equity capital by the state, with the aim to support the company’s investments abroad, and in 2014 it received an additional 10 billion from the Storting to strengthen international investments (Skjold 2015, p. 233). In 2011 Norfund also established a cooperation with the Norwegian solar energy company Scatec Solar which was establishing activities in Africa. Scatec Solar has since become one of the largest suppliers of solar energy in Africa, with presence in five African countries, in addition to several countries in Latin-America and Asia and is held by my informants as the most important success of Norfund after SN Power. Torstein Berntsen, EVP of Power Production in Scatec Solar, says in an interview that the state was eager to assist the company when it sought to establish activities in Africa in 2011. They were assisted by Norfund and GIEK, which “at the time were eager to, and I think this was politically managed, become relevant for others than oil and shipping which had been the important

industries. We experienced a great degree of positivity around what we were planning to do” (interview with Berntsen 2020). Berntsen emphasizes the importance of the state instruments for PSD in their endeavour to internationalize to risky markets: “many of these markets are not viable without a certain form of state support. That, I think, is obvious. So we wouldn’t have succeeded in the same way if we hadn’t used different forms of state provisions, particularly in the early phase. It is obvious that when we were a relatively small Norwegian company that was heading to demanding markets, that it was decisive that we got access to guarantees from GIEK and co-investors, capital from Norfund, that’s clear” (interview with Berntsen 2011).

In 2013, a right-wing coalition consisting of the Conservative Party and the Progress Party formed Government with Erna Solberg as Prime Minister. By then, the yearly capital added to Norfund had increased to 1,2 billion NOK, and Norfund had worked up an adjusted equity of 12,6 billion NOK (Norfund 2013). One of the first things the new government did was to remove the Minister post of Development and incorporate development policies into the Minister post of Foreign Affairs. The aim of this merging was to achieve policy coherence between development policies and foreign policies, effectively coordinating the development policies with the overall policy aims of Norwegian foreign affairs. Børge Brende was appointed new Minister of Foreign Affairs.

In 2015 the oil price dropped. As we can see in graph 1, which depicts the state’s incomes from the petroleum sector, this oil price drop lead to a significant income decrease for the state.

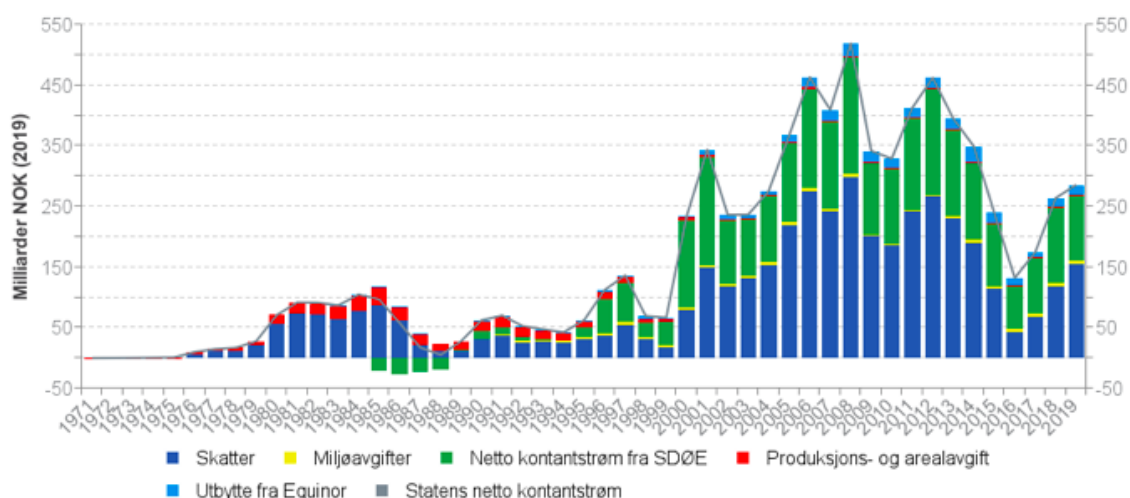


Figure 1. The Norwegian state's income from the petroleum sector. Source: Norsk Petroleum 2020.

In May 2015, in the wake of the oil price drop, the Solberg Government launched the White Paper *Globalization and trade: Trade policy challenges and opportunities for Norway* (St. meld. nr 29 2014-15) in which it asserts that, after ten years of high growth, the growth in the Norwegian economy was now declining. Concerns for the economic sustainability of the Norwegian economy was thus the point of departure of the White Paper. Productivity was declining, the population was getting older, the demand for oil was decreasing, and the low rates of growth were expected to prevail. Reduced oil resources on the continental shelf and the rise of climate consciousness internationally made the future of the oil industry look insecure. The oil price drop “provides lower incomes for the state, the oil companies and the country as a whole. *This does not entail a crisis for the Norwegian economy but is a reminder that the Norwegian economy is at a crossroads and that we will move toward a new normal. Our future welfare and jobs are determined by how good we are at restructuring today*” (St. meld. nr 29 2014-15, p. 15, my translation, my italics). Hence, the Government holds that the Norwegian economy should restructure toward increased internationalization: “good, predictable frame conditions for international trade is decisive for the Norwegian economy and industry to succeed in the shift we are facing. In important areas, considerable trade barriers and unpredictability for Norwegian export markets remain. Norwegian trade interests reflect a Norwegian and global economy undergoing changes, with increased emphasis on frame conditions for trade in services and investments, and where new, emerging markets become more important. The Government will set in motion an offensive trade policy that emphasizes Norwegian interests and supports the coming shift of the Norwegian economy” (st. meld. nr 29 2014-15, p. 15).

The Government held that, with globalization, the gravity of the world market had turned toward the south and the east, and access to developing countries, in which frame conditions are less developed, was thus increasingly important for Norwegian industry. Considering the fact that Norwegian companies were increasingly engaging in markets with lacking frame conditions, “Norway is therefore not dependent just on trade, but on a strategic, active trade policy” (p. 6). Hence, the Government “will work for a freer trade and set in motion an offensive trade policy that emphasizes Norwegian interests. The objective is to establish agreements that give the highest possible contribution to Norwegian value creation, at the same time as it contributes to global value creation and sustainable development. The

Government will work to secure Norwegian companies increased access to markets and better predictability for the export of commodities, services and investments” (p. 91).

With *Globalization and Trade*, then, the Government furthered the ambitions of the reflection project, to integrate trade policies with the objectives of the development policies in a coherent strategy of national wealth creation. One month after the publication of *Globalization and Trade*, the Solberg Government presented a new White Paper, *Working Together: Private sector development in the Norwegian development cooperation* (St. meld. nr 35 2014-15a). Here the Government argued that it sought to “increase Norway’s support for private sector development in developing countries and facilitate strategic cooperation with the Norwegian private sector” (St. meld nr 35 2014-15b, p. 21). The Government emphasized that the Norwegian private sector’s investments in developing countries had increased substantially over the last decade, but that Norwegian companies still showed a lack of will and possibility to invest in developing countries due to the inadequate frame conditions in these countries. Hence, “the Government will seek to strengthen its cooperation with the private sector and knowledge institutions, with particular emphasis on areas in which Norway has competitive advantage” (St. Meld. nr 35 2014-15 b, p. 6). The prioritization of the renewable energy sector was proposed continued.

Policy coherence was emphasized, but this time more explicitly with the aim to integrate the promotion of Norwegian business through the budget of development aid. The Government argued that it sought to overcome the traditional separation between developmental and industrial policy instruments. Whereas the objective of development aid is to fight poverty, and the objective of industrial policy is to provide value creation in Norway, win-win situations could be fostered if policy coherence between the two was reached: “It is important to use the concerted competence and capacity from the institutions involved in the development cooperation and the internationalization of Norwegian companies in the most efficient way possible. This will strengthen the work both with private sector development in development aid and the promotion of Norwegian business abroad” (St. Meld. nr 35 2014-15 a, p. 21). More supervision and information to the Norwegian business environment about the provisions for PSD would therefore be prioritized.

This increased focus on PSD was followed up with the White Paper *Common Responsibility for Common Future* (St. meld. nr 24 2016-17), in which it is stated that “development policy is also domestic policy” (p. 5). The development strategy put forward by the Solberg Government is thus summarized in three pillars:

“to use aid catalytically, so that it in the greatest extent possible mobilizes other and larger capital flows for development objectives

To focus on the private sector as the driving force for job creation, economic growth and permanent development...

See the coherence of the different instruments in foreign -and development policies, utilize the synergies and emphasize economic and political diplomacy in the cooperation with poor countries” (st. meld. nr 24 2016-17, p. 63).

Hence, the private sector is seen as the driving force of development, and development aid should thus be directed toward promoting business to establish activities in developing countries. To materialize its potential, companies need “predictable frame conditions in the form of laws and rules, tax conditions and an independent justice system” because these are “important preconditions to ensure investment will. Improvement of frame conditions is among the most important measures to create private sector development. Aid can contribute to reduce the different forms of risk and thus increase the investment will among companies” (st. meld. nr 24 2016-17 2016-17). Hence, the Government argues, “aid is to be risk relieving and take the initial costs that commercial actors are not willing to take” (p. 67). Norfund is held as Norway’s most important instrument to do this, and the Government therefore proposed to strengthen Norfund, first by doubling its capital provisions (p. 68). The Government also proposed to double the provisions for aid directed to renewable energy, with the objective to promote private sector development in renewable energy (p. 69). This proposition was followed up when the state provisioned Norfund with 1,9 billion NOK in the 2019 state budget, while provisions for renewable energy were doubled, from 570 million NOK to over one billion.

By 2020, Norfund has a total investment portfolio of 22,3 billion NOK, of which investments in SN Power accounts for NOK 7.4 billion, and investments in Scatec Solar 674 million. Norfund’s investments in Norwegian renewable energy companies thus accounts for more than 36% of its portfolio. Based on these numbers, we see that there has been a significant increase in the state promotion of key Norwegian industrial sectors through the development cooperation. The development strategy depicted in the White Papers in the period 2009-2017 is largely aligned with the policy model emerging at the international scale at the time, characterized by state-led and planned strategies for industrial modernization

through active spatial fixes to developing countries. In the Norwegian White Papers, the untying agreement is somewhat put in the shadow and replaced by the integration of the development assistance into an overarching strategy to support targeted industries to foster value creation.

What is peculiar to this period, however, is that this strategic commitment is primarily advocated by state officials and neoliberal strategist that seek to promote policies they held to be in the long-term interest of Norwegian capital-in-general. We see in the White Papers that the state seeks to mobilize the Norwegian business environment which is relatively reluctant to invest in developing countries. NABA was established to mobilize Norwegian capital to internationalize to developing markets. While we saw that the market-promoting regulations in the development strategy of the 1990s complied with a growing incentive from Norwegian capital to internationalize, it seems that the neoliberalization after 2008 are incentivized by the state to mobilize Norwegian companies which show a lacking will to internationalize. That is, a shift seems to have occurred in which the state has changed from a reactive to a proactive agent in the process of neoliberalization.

The result of this trajectory has, however, been contradictory. My informants assert that their advocacy has had results, as business has been elevated as increasingly important within the development cooperation in recent years. However, they simultaneously assert that the strategy outlined in the White Papers have not been fully materialized through practical policies. The last section of this chapter will discuss this trajectory.

Civil society contesting the neoliberalization

Commenting on the development policies during her period as chair of Norfund, Clemet says that “I feel that there has been an increased interest and understanding for, or support for the private sector as important for development, and that this has been reflected in policies. Not just in the good provisions for Norfund, but also in the general commitment to business and private sector in other ways in the aid policy... During my time in Norfund, there was a significant change in the political support for Norfund in the Storting, increased support among all parties”. To this Clemet adds that “the whole political spectrum has in recent years began to believe more in the private sector” (interview with Clemet 2019). Similarly, when asked about the most important achievement as CEO of Norfund through 12 years, Roland answered that “we gradually achieved to get legitimacy for an argumentation that wasn’t here before, that workplaces and business are important. *So in a way we won the ideological debate* for what it’s worth, that business and workplaces are important. And we proved for

finance, or those who invest, that it is actually possible” (interview with Roland 2019, my italics). Moreover, Fjeldstad argues that “since I started in NABA in 2011, there has been a radical change in the way ambassadors have talked about business in Africa. And there has also been a change of pace in the Ministry of Foreign Affairs” (interview with Fjeldstad 2019). Despite the increased consensus concerning the marketization of the development assistance, however, my informants are at pains to emphasize that the practical policies implemented in Norway are less aggressive than neighboring European countries.

In 2019, Export Credit Norway commissioned Menon Economics to write a report on Norwegian trade and exports. The report argues that “our neighboring countries have more ambitious and explicit strategies for internationalization of their industries. This applies particularly for green industries” (Menon 2019, p. 4). The report shows that the petroleum industry remains dominating in the Norwegian export industry, amounting to almost 50 percent of Norwegian exports. Despite the strategic commitment to diversify the Norwegian economy and to strengthen the position of Norwegian renewable energy capital in the world market, the shift to internationalization of renewable energy capital has thus to a limited extent been materialized. On the basis of the findings of the report, Slengesol argues that “we are lagging behind many countries. Other countries are becoming more aggressive in supporting their export industries and in using what is supposed to be aid directed instruments such as the DFIs in business promotion. And they use, as Denmark does, all instruments available for business promotion and couple aid much tighter to business promotion” (interview with Slengesol 2019). Moreover, he argues that, referring to the EXIM report mentioned above, while trade policies have been ‘weaponized’ internationally, the integration of development instruments into a coherent and coordinated strategy for internationalization of key domestic industries has remained taboo in Norway.

Slengesol sees the oil industry as the main determinant for this divergence between Norwegian policies and other commensurable countries, referring to the fact that Norway has lost significant market shares internationally within the exact same time span that the oil revenues have become a significant income source for the Norwegian state, from the 2000s onward. Consequently, Slengesol argues that

“what is peculiar about Norway is, of course, the incomes from the oil and gas industry... But that buffer cannot be a pretext for not to act, and that is what we are afraid of, that it is about to become a pretext for not to restructure. And if you see the last twenty years, the period in which Norway has lost market shares, it is the same period in which the oil revenues have

flowed into the country and we have built up the oil fund. So there is probably some causality... We believe, based on how we see the export industry, that the challenge to restructure the economy is underestimated. And we know that oil and gas, which amounts to almost 50 percent of the export incomes today, will decrease significantly from the mid 2020s. And as we have calculated, the process of restructuring is too weak, or too slow. So we are a pretty peculiar country, positively in some ways, negatively in others. *We don't have the same sense of urgency or understanding as for example Sweden and Denmark*" (Interview with Slengesol 2019).

Also Johan Mowinckel, Chief of International Relations in GIEK, argues that there has been a tendency in Norway to be "dogmatic" about the untying. Also he believes that the petroleum industry has obstructed attempts to incorporate aid instruments into an overall industrial policy: "There have been some attempts, but there is little understanding for what needs to be done... But I believe that we also have to consider that it was a boom in Norway in oil and oil services. So most Norwegian companies had a much stronger incentive to go to that sector than to have activities in Africa" (Interview with Mowinckel 2019).

Consequently, despite the growing consensus around the marketization of the development strategy, Norway seems to be lagging behind other European countries in mobilizing the development cooperation for purposes of supposed 'national economic- and welfare interests'. This argument was put forward by several of my informants who argue that there is a discrepancy between the explicit and overarching strategies put forward in official documents and practical policies. In chapter 5 we saw that Roland argues that it is essential to distinguish between rhetoric and the real world. Similarly, Fjeldstad argues that there has been an increased consciousness about the importance of these issues among policymakers, but that this consciousness has not translated into the practical implementation of the strategies that are outlined in White Papers:

"Consciousness yes, but I am not sure about strategy. I haven't seen it. Unless you think about the White Papers, but that is on a more general level. The embassies and those who work with business here at home do as much as they can. An illustrative example is Great Britain, when they did a proper economic diplomacy drive, they started hiring a lot of people from the private sector in the British foreign office. That has not happened here, for example. So if you compare it like that, you can see a pretty big difference in the degree of action the countries take... Here it's perhaps a bit more rhetorics and then it's a bit accidental who is more passionate about it in the Ministry of Foreign Affairs" (interview with Fjeldstad 2019).

While Mowinckel and Slengesol emphasize the oil dependency of the Norwegian economy and its paralyzing effect on both the state and Norwegian companies, my other informants emphasize the effectiveness of NGOs and civil society in contesting their advances. Roland argues that: “this is kind of a religious question in aid politics, everything that creates some form of common interests is seen as religiously wrong by the traditional aid people. There will never be peace around such a policy” (interview with Roland 2019). Ruderaas in NHO similarly asserts that “it is clear that there is a very competent civil society in Norway with a lot of commitment and with a lot of competent people who spend a lot of time building alliances. It is riskier to do dramatic cuts in the provisions for civil society than for business... Norwegian civil society is very competent in the political dialogue, they set the agenda and take a lot of initiative” (interview with Ruderaas 2019).

Civil society has also put pressure directly on companies investing in developing countries. A concept that is reiterated by many of my informants is ‘reputational risk’. They argue that Norwegian civil society has been effective in publicly condemning Norwegian companies investing in developing countries that they believe violate human rights standards. Roland has been particularly concerned with this. In recent years, he argues, many Norwegian companies, among them Statkraft, have been hesitant to invest in LDCs, in particular in Africa, due to the high risks of having their reputation damaged by campaigns from Norwegian civil society. “When I say that Statkraft doesn’t want to be in Africa, it’s because they know that they would get so much trouble from the NGOs and do-gooders and “good people who want the best”, because they will find everything wrong with what they do in Africa. So it’s best to stay home. And all provisions aimed to mobilize the business community, or the companies that are there [in Africa], would be subject to something similar” (interview with Roland 2019). Furthermore, Roland argues, “in all my talks I emphasized that we are happy to work with Norwegian business, but we are not a tool for you, and there are no ties. So we say no to those we don’t want to work with and who we do not believe in. And that was a prerequisite to avoid NGO-Norway levelling us to the ground. We would never have won that debate. That is why I think it is wrong to cross the boundary to tied aid” (Interview with Roland 2019). Ruderaas in NHO and Torstein Berntsen from Scatec Solar confirmed the concern for reputational risk among Norwegian companies.

Facing the political mobilization from the NGOs, Norfund has become scared to mix roles. Nafstad told me that “we are very scared to mix this, or to neglect the division between aid and business promotion because we have a pure development mandate. We are entirely

dependent on the political support we have. Today we have support across the entire political spectrum, from SV to FrP. Everyone support Norfund, to different degrees, but I think that the fact that we are de-coupled from Norwegian interests, that we have a pure development mandate, is instrumental for the wide support we have. If we were to become a tool for Norwegian business, this would disintegrate. I am entirely sure about that” (interview with Nafstad 2019).

Fjeldstad argues that this form of resistance from civil society is common to most European countries, but that other states have mobilized their development assistance in coordinated strategies for business promotion despite widespread contestation. Referring to an article in the *Economist* about the ‘the new scramble for Africa’, Fjeldstad argues that “this is done everywhere” and exemplifies it with Finland: “you see this in Finland, where Finfund’s provisions have increased quite a lot on the expense of the NGOs, and the NGOs have made a media storm because of it. But there you see that the politicians say that ‘no, we want it to be like this. We will shift from traditional aid to even more focus on business’. And they use Finfund as a channel for this” (interview with Fjeldstad 2019).

The budget proposals for 2020 saw a certain backlash in Norwegian PSD and aid for renewable energy. Minister of Development Dag-Inge Ulstein (KrF) proposed to decrease the yearly provisions for Norfund and aid for renewable energy, by 45 million and 165 million NOK respectively. Seen in relation to the overall increase in the budget of development aid, which grows every year according the rising Norwegian GNI, the increase in the provisions for Norfund since 2004 to 2019 (488 million NOK to 1,9 billion), amounts to a percentage of the budget of development aid from 3,2 percent to 5 percent. Total provisions for PSD in the period 2010-2017 was 28,4 billion NOK, amounting to 11,3% of the total development aid budget (Villanger & Hatlebakk 2020, p. 4). Villanger & Hatlebakk (2020, p. 28) try to compare Norwegian aid for PSD to the UK, Sweden, Denmark and Germany by comparing DAC sectors 200 and 300, which is aid allocated to ‘economic infrastructure and services’ and ‘production sectors’. According to this calculation, the extent of Norwegian PSD assistance is 15% of total aid, while Denmark’s share is 16%, the UK 16%, Germany 28% and Sweden 10%. The calculation of DAC sectors 200 and 300 is perhaps not very precise to measure PSD, particularly since the measure of Norwegian PSD deviates from the numbers Villanger & Hatlebakk present based on Norad aid statistics - 15% against 11,3%.

I have not been able to conduct satisfying comparative research on other European countries and can therefore only provide a preliminary discussion regarding my informants’ statements. What is important to emphasize here, however, is that the post-2008 trajectory

can be said to have been marked by *a contradictory yet significant continuation of the neoliberalization of the Norwegian development strategy*. The period has been characterized by attempts by neoliberal strategists and state officials to comply with the predominating policy models at the international scale. These advances have been made within a Norwegian economic conjuncture of continued growth, only disturbed by the oil price drop of 2015 which, as we saw the Solberg Government formulate it, did not represent a *crisis* but a *reminder* of the exposed situation of the Norwegian economy. And, as we saw in figure 1, the incomes from the oil industry recovered somewhat in the following years. In this conjuncture, business interests have only to a minor extent pressured for spatial fixes. Much like in the mid-70s, then, it seems that the petroleum industry has created a peculiar room for maneuver within which civil society has opposed neoliberal advances. Nevertheless, a significant difference marks the period 2008-2019 in relation to the mid-70s. While the peculiar conjuncture in the midst of the international crisis in the 1970s resulted in the extension of market-*limiting* regulations, the period 2008-19 has been characterized by the extension of market-*promoting* regulations, although perhaps with less aggression than in other European countries.

While a lack of initiative on part of capital to strengthen the marketization of the Norwegian development strategy has provided a peculiar room for maneuver for oppositional groups, the opposition has not been able to effectively block the neoliberal advances made by state officials and neoliberal strategists. Despite resistance, neoliberal reforms have been implemented and market-promoting regulations encouraging spatial fixes through the development cooperation have been strengthened. I argue that this difference between the 1970s and post-2008 trajectories can be seen in relation to the strategic selectivity of the Norwegian state, or the class character that has been materialized in the state, making it biased to favor some strategic regulations over others. The strategic selectivity of the social democratic state provided room for maneuver for labour and radical social movements to advance their strategic needs in the period of economic boom in 1973-77. After decades of neoliberalization, a process which I have argued has entailed a changing balance of class forces condensed within the Norwegian state, the strategic selectivity of the Norwegian state has changed to favor capital. This will be further elaborated in the conclusion.

Summary

This thesis has provided a theoretical framework which sees neoliberalism as an inherently contradictory process of uneven development. Likewise, the concept of the state as a social relation presented in this thesis presupposes the improbability of a unified state system and hence the contradictory nature of state projects. And indeed, the trajectory of the Norwegian development strategy from 2005-2019 can at best be depicted as contradictory. Reading official documents, the development strategy seems to follow a linear path of increased marketization in which the state increasingly furnishes market-promoting regulations aimed at creating favorable conditions for Norwegian capital to establish activities in developing countries. Despite the untied aid agreement, the development strategy is increasingly reformed so as to promote spatial fixes for sectors of strategic importance for the overall sustainability of the Norwegian economy, most notably hydropower and other renewable energy industries.

Despite this seemingly linear process of neoliberalization, the overarching development strategy depicted in official documents has not been easily translated into practical policies. While other advanced capitalist countries have experienced a material pressure for spatial fixes in the aftermath of the 2008 crisis, the petroleum industry has provided the basis for continued accumulation in Norway. As a result, Norwegian capital has only to a limited extent sought to secure expanded reproduction through spatial fixes, and the neoliberal advances have primarily been undertaken by state officials and neoliberal strategists who seek to secure the long-term sustainability of Norwegian capital-in-general. The oil price drop in 2015 may have intensified the advocacy of neoliberal strategists, but not necessarily motivated capital to act as the oil price drop did not entail a crisis for Norwegian capital. Moreover, the peculiar Norwegian economic conjuncture can be said to have provided room for maneuver for oppositional groups in civil society, resulting in a contradictory process of neoliberalization, in which market-promoting regulations are extended but perhaps in a less aggressive pace than in neighbouring countries. Despite these contradictions, however, market-promoting regulations have been perpetuated. I have argued that the continued extension of market-promoting regulations despite limited pressure from business interests can be seen in relation to the strategic selectivity of the Norwegian state, in which decades of neoliberalization has materialized a change in the class character of the state. The state has become a proactive agent in the neoliberalization of the Norwegian

development strategy in which policies tend toward coherence in a contradictory state project aimed at internationalization of Norwegian capital to the global south.

9 Conclusion

This thesis has had a concrete research aim to assess contradictions and coherence in the process of neoliberalization of the Norwegian development strategy. With this concrete research aim the thesis has intended to assess a more overarching research objective, to explore a particular process-oriented Marxist methodology in order to inform a larger debate about the relationship between neoliberalization and state power in the Norwegian context. To assess these research aims, the thesis has posed two research questions:

- *what can explain the process of neoliberalization of the Norwegian development strategy?*
- *how can we understand the relationship between state power and neoliberalization?*

The Marxist methodological framework put forward in the theoretical chapters of this thesis involves the application of a method of abstraction through which concrete and empirically observable phenomena are analyzed in relation to the logic and dynamics inherent to the abstract totality of capital. This epistemological position is based on the ontological assumption that the system logic of capital, the capitalist totality, is produced and reproduced through the interrelation of its various concrete moments. Marx's method of abstraction thus entails a view of knowledge production as a process of continuous movement between layers of abstraction through a procedure of constant alteration. The mode of inquiry adopted in this thesis has thus been retroductive, while the mode of exposition has descended from the abstract to the concrete. My conclusion will therefore turn this around and proceed from my empirical findings to provide a vantage point from which to raise the level of abstraction to provide a discussion of my abstract research question and hence a general conclusion to this thesis. I will thus first turn to my concrete research question.

I have showed that the neoliberalization of the Norwegian development strategy has evolved in close tandem with the process of internationalization of key national industries, with particular emphasis on the energy sector. In the period 1973-77 there was limited need for spatial fixes among Norwegian capital, as the petroleum sector provided room for manoeuvre and possibilities for expanded reproduction within Norwegian territory. Consequently, while neoliberal policy models surged at the international scale, there was no material need to restore conditions for accumulation in the Norwegian context in which capital continued to thrive within market-limiting regulations. The neoliberalization of the

Norwegian development strategy was first set in motion when Norwegian capital experienced a stagflation crisis in the 1980s and early 1990s, and the development strategy has since undergone a process of reforms toward establishing favorable frame conditions for capital in developing countries, while at the same time supporting Norwegian capital to internationalize to these markets.

The neoliberal reforms undertaken throughout the 1990s should therefore be seen against the background of a material need for spatial fixes among key Norwegian industries. The energy sector, which formed the backbone of the Norwegian economy and which had previously remained largely protected from the imperatives of the capitalist market, was now exposed to an increasingly competitive international market after a comprehensive round of liberalizations. At the same time, outlooks for further expansion at Norwegian territory were limited. These background conditions, I have argued came to exert material pressure on the Norwegian state which became relatively dependent on the successful internationalization of energy companies, in particular Statkraft, to secure future tax incomes and to preserve key national industrial environments. Moreover, we saw that business interests put pressure on policy makers who had to compromise with capital in the making of the Norwegian development strategy. Systemic coercion to maintain accumulation in a context of enhanced global competition and pressure from business interests can thus be said to explain the process of neoliberalization of the Norwegian development strategy in the period 1989-2004.

By 2008 this trajectory changed. While global capitalism was struck by a new crisis, the Norwegian economy has experienced continued growth, much due to the petroleum sector. While the fall in the oil price in 2015 affected this growth, it did not represent a crisis for Norwegian capital. In this period, there has been limited pressure from business interests to extend the marketization of the development strategy. This period has instead been marked by attempts by state officials and neoliberal strategists advocating what they see as the strategic and long-term needs of Norwegian capital-in-general to extend market-promoting regulations through the development cooperation. This attempt has been partly successful. Provisions for PSD and renewable energy have increased, and important Norwegian renewable energy companies have been successful in establishing activities in risky markets. Nevertheless, many of the advances sought by state officials and neoliberal strategists have been resisted by oppositional groups in civil society, and the end result has been that the policies implemented seems to some extent to have deviated from the proposed strategies as well as international policy models.

I have argued that this contradictory, but still continued process of marketization of the development strategy in a context of limited pressure from business interests can be seen in relation to the strategic selectivity of the Norwegian state, or its institutionalized class bias. The Norwegian social democratic state was characterized by a strategic selectivity that tended to favor labour over capital. The reforms implemented in the period 1973-77 are illustrative, as the room for maneuver created by the petroleum industry in the midst of the international crisis resulted in the extension of market-limiting regulations. When a similar situation emerged after 2008, however, in which the Norwegian economy prospered in the midst of the international crisis, we have seen an extension of market-promoting regulations aimed at promoting spatial fixes despite limited pressure from Norwegian capital. I understand these different outcomes in relation to how the strategic selectivity, or the class character of the Norwegian state has changed. The strategic selectivity of the social democratic state provided room for maneuver for labour and radical social movements to advance their strategic needs within the state. After decades of neoliberalization, a process which I have argued has entailed a changing balance of class forces condensed within the Norwegian state, the strategic selectivity of the Norwegian state has changed. The state has become a proactive agent in bolstering the supposed long-term needs of capital by transferring dominating international neoliberal policy models to the national scale despite limited pressure from capital itself and a civil society mobilizing in opposition to these policies.

In chapter 2 we saw that Jessop argues that state power is an explanandum and not an explanans, it is a relation which needs to be explained through investigation of its historical constitution and not a principle of explanation in its own right. To explain the historical constitution of state power is indeed what I have attempted to do throughout the second part of this thesis, by seeking to establish how the balance of social forces in Norwegian society has changed in the wake of the crisis of the 1980s, and how state projects for promoting spatial fixes to developing countries have been forged in this process. Through this study of the historical constitution of state power, however, I have found that the state in fact emerges as an explanans for the process of neoliberalization of the Norwegian development strategy. As the process of neoliberalization has materialized within the Norwegian state, the state itself becomes an active promoter of the neoliberal project, making the changing class character of the state an important principle of explanation for the continued neoliberalization of the Norwegian development strategy.

The vantage point of the trajectory of the Norwegian development strategy thus provides interesting insights into the relationship between state power and neoliberalization.

In the theoretical part of this thesis, I sought to integrate the theory of the state as a social relation within a process-oriented Marxist methodological framework which sees neoliberalism as the uneven development of a class project forged by practical activity within the objective conditions of capitalist crises. An assumption put forward in the theoretical chapters was that the neoliberal project, which aims to open up new spaces for accumulation, entails a process of change in the qualitative balance of forces condensed within the state. The capitalist market depends on the constitutive role of the state in creating and maintaining the conditions within which capital can accumulate. Simultaneously, the state in capitalist society depends on continued capital accumulation to sustain its material foundations. Theoretically, then, neoliberalism understood as a project to restore conditions for capital accumulation, can be conceptualized as a change in how state power is deployed and for what purpose.

In my theoretically informed historical analysis of the Norwegian development strategy and its relation to the internationalization of Norwegian capital, I have found that the state itself becomes an active promoter of neoliberal regulations. Cumulative rounds of marketization brought on by the state's structural requirement to keep accumulation going in a context of crises and an increasingly competitive global market, along with pressure exerted by business interests, has forged changes to the class character of the state in which the state has become an active promoter of market-promoting regulations. This finding, I argue, has meaningful implications for analyses of state power and neoliberalism. It provides a view of the *institutional mediation of the neoliberal class project which, I have found, is mediated and embedded within the institutional materiality of the state*. As institutional presupposition for the capitalist market, neoliberalism depends on the mobilization of state power to foster market-promoting regulations to open up new spaces for capital accumulation. As a delimited set of institutions, however, and this is perhaps the most important theoretical contribution of this thesis, the state itself becomes an active promoter of the neoliberal project.

From the vantage point applied in this thesis, the development of capitalism in the Norwegian context in recent decades can thus be depicted in terms of a process of change within continuity. The state has remained a fundamental institution for the development of capitalism in the Norwegian context since the 1980s onward, but the nature and purposes of state action have undergone significant changes as the class character of the Norwegian state has changed in favor of capital.

An understanding of the changing class character of the state and the relations that have brought this change about might be conducive for how we understand the prospects for

the future development of Norwegian society. Such questions have become increasingly relevant at the time of finishing this thesis. With the outbreak of the corona crisis and the fall in the oil prices in the spring of 2020, global capitalism has entered a new deep recession which this time hits the Norwegian economy with full force. Together with an increasingly widespread concern for climate change, the question of economic restructuring toward renewable industries has become more pressing than ever. Analogous to the advocacy we have seen emerge in recent years to base a substantial share of future Norwegian value creation on accumulation by dispossession through market-promoting regulations, a socialist proposal for a new green deal has been elaborated. The proposal of a new green deal entails a shift back to temporal displacements of capital through a green industrial renewal within national boundaries. Moreover, the proposal entails to *re-politicize* the capitalist market by bringing industry under public control and democratic accountability. This could perhaps, in the long run, provide an opportunity for the gradual transcendence of the contradiction between state and market which has been the main subject of scrutiny for this thesis, as the complete politicization of the market would entail to transcend private property and hence the law of value.

The current crisis represents a crisis in the neoliberal state regulation regime. The outcome of this crisis might be determined by class struggle, or which interest groups manage to mobilize state power so as to foster state regulations that favor their strategic interests. Considering the current class character of the Norwegian state, the prospects for progressive change are not the best. But crisis conditions might create room for maneuver within which to disrupt existing structures. To understand the material constraints that the current state regulation regime represents, I argue, is of crucial importance for how change might be sought, and thus for the scope of action for progressive change.

This conclusion sees the Norwegian state from a particular vantage point which “sets up a perspective that colors everything that falls into it” (Ollman 2003, p. 100). The vantage point applied in this thesis thus illuminates the totality in particular ways by setting other potentially important relations aside. This implies that the conclusions provided here can only be of a preliminary nature, as new vantage points will have to be assessed in order to understand these abstract relations in their completeness.

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Appendix I: List of informants

Bård Thorheim, interview 18.11.2019

Former political advisor for Minister of Foreign Affairs Børge Brende

Ola Nafstad, interview 20.11.2019

Chief Economist in Norfund and former consultant in Econ.

Kjell Roland, interview 27.11.19

Former CEO of ECON and CEO of Norfund from 2006-2018.

Kristin Clemet, interview 29.11.19

CEO of conservative think tank Civita and Chair of Board of Norfund from 2006-2018.

Magnus Ruderaas, interview 03.12.19

Senior advisor for the International Department of NHO.

Eivind Fjeldstad, interview 05.12.19

CEO of NABA.

Johan Mowinckel, interview 06.12.19

Head of International Relations in GIEK.

Hilde Frafjord Johnson, interview 14.12.19

Former Minister of Development (KrF) from 1997-2000 and 2001-2005.

Ivar Slengesol, interview 17.12.19

Director of Strategy and Business Development in Export Credit Norway.

Håvard Råen and Margrethe Rosbach, interview 19.12.19

Head of Section and Higher Executive Officer, Section for International Trade Promotion.

Torstein Berntsen, interview 02.01.20

EVP Power Production in Scatec Solar.

Appendix II: Interview Guide

Frafjord Johnson

1. Hvorfor var avbindingen av bistanden så viktig for deg som utviklingsminister?
 - Foruten deg som utviklingsminister, hvilke aktører drev fram prosessen med avbinding?
2. Møtte avbindingen av bistanden motstand?
 - Isåfall, fra hvem? Hvordan ble denne motstanden utøvd?
3. Hvilke ringvirkninger fikk avbindingen av bistanden for næringslivets rolle i utviklingspolitikken?
4. Hvilken rolle spilte opprettelsen av Norfund i avbindingsprosessen?
 - Var Norfund tenkt som en en næringslivsrettet bistandsordning som fungerte som motvekt til bundet bistand?
5. Hvilken rolle var norsk næringsliv tenkt å spille med opprettelsen av Norfund?
6. Kan du fortelle om Strategi for næringsutvikling i sør (NIS)
7. Hvordan har forholdet mellom norsk næringsliv og utviklingspolitikken utviklet seg siden avbindingen?
8. NHO ble mer positivt innstilt til ditt arbeid for næringslivet i utviklingspolitikken under din andre periode som utviklingsminister. De mente det var såpass stor forandring at de i 2002 snakket om "Hilde 2". Hva gjorde at du i større grad la til rette for næringslivet i utviklingspolitikken under din andre periode som utviklingsminister?
9. I NIS dokumentet antydte regjeringen at norske investorer måtte motiveres til å investere i utviklingsland, ettersom viljen ofte var manglende på grunn av en forestilling om høy risiko. Tok staten initiativ på vegne av norske selskaper til å etablere seg i utviklingsland?
 - Eller var det andre veien? Var det norske selskaper som fikk staten til å etablere denne strategien?

Appendix III: Informed Consent Form

Formålet med prosjektet “forholdet mellom staten og markedet under økonomisk globalisering: en studie av Norfund som formidler” er å analysere norsk utviklingspolitikk som en formidlende instans mellom stat og marked under økonomisk globalisering. Dette skrevet inneholder informasjon om formålet for prosjektet og hva deltakelse vil innebære for deg.

Formål Prosjektet vil undersøke hvordan forholdet mellom den norske staten og markedet har utviklet seg med økonomisk globalisering, og hvordan norsk utviklingspolitikk har fungert som en formidlende instans mellom de to sfærene de siste tiårene. Mer konkret vil prosjektet se på Norfund, med særlig fokus på den økende vektleggingen av privat næringsliv som drivkraft for utvikling i sør, og Norfunds mandat som en katalytisk og addisjonell investor. Forskningsspørsmålet som ligger til grunn for intervjuene er hvordan Norfund fungerer som en formidlende aktør mellom stat og marked. Intervjuene er del av en masteroppgave.

Hvem er ansvarlig for forskningsprosjektet? Institutt for Sosiologi og Samfunnsgeografi ved Universitetet i Oslo er ansvarlig for prosjektet. Veileder for oppgaven er David Jordhus-Lier, Professor i samfunnsgeografi på instituttet.

Hvorfor får du spørsmål om å delta? Det empiriske grunnlaget for studien baserer seg på dokumentanalyse samt intervjuer med sentrale personer i utenriks - og utviklingspolitikken. Jeg vil intervju deg på grunn av din bakgrunn i Eksportkreditt Norge. Jeg vil gjennomføre omtrent ti intervjuer med personer innenfor Utenriksdepartementet, Nærings- og fiskeridepartementet, Norad og Norfund.

Hva innebærer det for deg å delta? Hvis du velger å delta i studien, vil det innebære å delta i et personlig intervju som vil ta mellom 30 og 45 minutter. Intervjuet vil inneholde spørsmål som tar for seg dine målsettinger for norsk utenriksøkonomisk politikk, forholdet mellom det globale markedet og norsk økonomi, hvordan ditt departement jobber opp mot internasjonaliseringen av norsk økonomi, samt forholdet mellom næringspolitiske og utviklingspolitiske virkemidler. Jeg vil bruke båndopptaker under intervjuet, for så å transkribere intervjuene.

Det er frivillig å delta Det er frivillig å delta i prosjektet. Hvis du velger å delta, kan du når

som helst trekke samtykke tilbake uten å oppgi noen grunn. Alle opplysninger om deg vil da bli anonymisert. Det vil ikke ha noen negative konsekvenser for deg hvis du ikke vil delta eller senere velger å trekke deg.

Ditt personvern – hvordan vi oppbevarer og bruker dine opplysninger Vi vil bare bruke opplysningene om deg til formålene vi har fortalt om i dette skrivet. Vi behandler opplysningene konfidensielt og i samsvar med personvernregelverket. Veileder David Jordhus-Lier ved instituttet vil ha tilgang til transkribert intervju.

Ettersom din sentrale rolle i departementet er et viktig grunnlag for intervjuet, vil studien bruke navnet ditt i forbindelse med sitater som blir brukt fra intervjuet.

Hva skjer med opplysningene dine når vi avslutter forskningsprosjektet? Prosjektet skal etter planen avsluttes 15. mai 2020. Ved prosjektslutt vil datamaterialet bli oppbevart for å kunne sikre etterprøvbare og oppfølgingsstudier. Intervjuene som blir gjort vil kunne være relevante i videre studier av undertegnede om forholdet mellom stat og marked, samt av utviklingspolitikken. Materialet vil bli lagret på Nettskjema-diktafon, en sikker lagringsplass hvor hvor kun undertegnede og veileder David Jordhus-Lier har tilgang (dette krever passord). Dette vil bli lagret på ubestemt tid.

Dine rettigheter Så lenge du kan identifiseres i datamaterialet, har du rett til: innsyn i hvilke personopplysninger som er registrert om deg, å få rettet personopplysninger om deg, få slettet personopplysninger om deg, få utlevert en kopi av dine personopplysninger (dataportabilitet), og å sende klage til personvernombudet eller Datatilsynet om behandlingen av dine personopplysninger.

Hva gir oss rett til å behandle personopplysninger om deg? Vi behandler opplysninger om deg basert på ditt samtykke.

På oppdrag fra Institutt for Sosiologi og samfunnsgeografi ved Universitetet i Oslo har NSD – Norsk senter for forskningsdata AS vurdert at behandlingen av personopplysninger i dette

prosjektet er i samsvar med personvernregelverket.

Hvor kan jeg finne ut mer? Hvis du har spørsmål til studien, eller ønsker å benytte deg av dine rettigheter, ta kontakt med: Institutt for Sosiologi og Samfunnsgeografi ved David Jordhus-Lier, david.jordhus-lier@sosgeo.uio.no Vårt personvernombud: Roger Markgraf-Bye NSD – Norsk senter for forskningsdata AS, på epost ([HYPERLINK "mailto:personverntjenester@nsd.no"](mailto:personverntjenester@nsd.no) personverntjenester@nsd.no) eller telefon: 55 58 21 17.

Med vennlig hilsen

Prosjektansvarlig Student David Jordhus-Lier Yngve Solli Heiret

Samtykkeerklæring Jeg har mottatt og forstått informasjon om prosjektet “Forholdet mellom staten og markedet under økonomisk globalisering: en studie av Norfund som formidler”, og har fått anledning til å stille spørsmål. Jeg samtykker til (kryss av på de forskjellige punktene de samtykker til):

- å delta i intervju ()
- at opplysninger om meg publiseres slik at jeg kan gjenkjennes ut fra min posisjon ()
- at mine personopplysninger lagres etter prosjektslutt, til etterprøvbarehet og eventuelle oppfølgingsstudier ()
- Jeg samtykker til at mine opplysninger behandles frem til prosjektet er avsluttet, ca. 15.05.2020 ()

(Signert av prosjektdeltaker, dato)