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RESEARCH ARTICLE

Why does the combination of policy entrepreneur and institutional entrepreneur roles matter for the institutionalization of policy ideas?

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Abstract

Public administration, public policy, and political economy literatures are increasingly preoccupied with the role of agency in policy and institutional change, and the effects of institutions on the agency of individual actors. However, linkages between policy and institutional entrepreneurship in processes of institutionalization remain a black box. This article aims to fill this void. It contributes to our understanding of processes underlying the institutionalization of policy ideas in the public sector that have not been investigated adequately. Based on an exploratory case study of the introduction and institutionalization of macroprudential policies to contain macro-financial risks in Turkey, this article argues that policy and institutional entrepreneurship processes are inextricably intertwined and fundamental to the institutionalization of policy ideas: the institutionalization of new policy ideas that resolve conflicting institutional logics and facilitate cooperation and/or collaboration in inter-bureaucratic policy formulation and implementation is most likely when an individual agent with the requisite resources and capabilities builds coalitions through combining the policy and institutional entrepreneur roles while undertaking discursive and powering strategies.

Keywords Policy entrepreneur · Institutional theory · Macroprudential regulation · Sensemaking · Powering strategy · Ideas

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Introduction

An important and overlooked question in political science research is how various types and forms of policy ideas are institutionalized. Despite a relatively large body of literature on the links between "ideas" and "policy entrepreneurship" in policy change, no study has so far sought to explain the links between policy and institutional entrepreneurship, the discursive and powering strategies therein, and the multiple conditions that motivate and enable actors to undertake agential action in the institutionalization process (Bakir & Gunduz, 2017, 2020).

In this article, we examine the institutionalization process of policy ideas. We argue that policy and institutional entrepreneurship processes are inextricably intertwined and fundamental to the institutionalization process. Although policy entrepreneurship (i.e., the government agenda setting process) and institutional entrepreneurship (i.e., the institutionalization process) are two distinct set of processes, the mobilization of new policy ideas that inform a government agenda (mediated by the intentional actions of a policy entrepreneur) and the institutionalization of such ideas (mediated by the intentional actions of an institutional entrepreneur) are intertwined activities. This is because a policy entrepreneur sets the parameters of discussion in government agenda setting, often resulting in the establishment of a "venue of policy action" (Baumgartner & Jones, 1991, p. 1045), while an institutional entrepreneur creates shared meanings among principal decision-makers, including politicians and bureaucrats, that inform policy design and implementation. The effective combination of policy and institutional entrepreneur roles results in the resolution of conflicting institutional logics among principal actors and facilitates their sustained coordinative, communicative, cooperative, or collaborative interactions in formulating and implementing policy and instrument mixes. In this respect, we find that institutionalization of policy ideas requires the combination of discursive and powering strategies in policy and institutional entrepreneurship processes. We show that purposeful institutional entrepreneurs introduce and develop common understandings of policy problems, their solutions and implementation tools through repeated discursive interactions in the sensemaking process. We also show that what Heclo (1974) called "powering," power strategies among competing actors to influence policy outcomes and attain collective ends, accompanies discursive strategies in this process.

Despite this connection between policy entrepreneurship and institutional entrepreneurship processes, most public policy and institutional perspectives have tended to focus on the effect of policy entrepreneurs on government agenda setting and policy change (Cairney & Jones, 2016) or the role of ideas and effect of institutional entrepreneurs on institutional change (Bakir & Jarvis, 2018; Campbell, 2004), respectively. We argue that connecting and integrating public policy and institutional perspectives is necessary for gaining a full appreciation of the complexity of how institutions are produced and maintained. This is because without such clarity in the linkages between policy entrepreneurship and institutional entrepreneurship, we will have trouble understanding when, how and why the institutionalization of new policy ideas and/or reconfiguration of existing ones take place. Our aim is to fill this void.

We use insights from the Multiple Streams Framework (MSF) (Kingdon, 1995) in public policy scholarship to examine policy entrepreneurship, whereby a policy entrepreneur influences the government policy agenda process. We also draw on insights from the variants of institutional research and theory (Lawrence et al., 2002; Phillips et al., 2004; Battilana et al., 2009, Campbell, 2004, ch. 4; Schmidt, 2008) to examine the process of institutionalization, a "social process by which individuals come to accept a shared definition of social reality" that becomes an institution (Scott, 1987, p. 496).

Regarding the empirical context, we examine the strategic actions of the governor of the Central Bank of the Republic of Turkey (hereafter the Central Bank) as an individual agent who combined the roles of policy and institutional entrepreneur for government agenda setting and the institutionalization of macroprudential policy ideas. Following the Global Financial Crisis (GFC), macroprudential regulation (MPR) focusing on the management of systemic financial risk (i.e., the stability of the financial system as a whole) became the dominant approach to financial regulation (Baker, 2013). This marked a departure from the previous approach, which focused exclusively on microprudential, bank-level risk (i.e., the safety and soundness of individual banks). Following the GFC, principal actors of the international financial policy network, including the Financial Stability Board (FSB), International Monetary Fund (IMF), and Bank for International Settlements (BIS), promoted the establishment of a Financial Stability Committee (FSC) across countries (see, for example, FSB, IMF & BIS, 2011, p. 3; IMF, 2010, p. 32; 2012, p. 1). Use of the MPR as a tool to achieve systemic stability subsequently became a worldwide trend. Apart from this trend, in 2011, Turkey was also one of the first developing countries that adopted MPR to achieve and maintain macro-financial stability. In the Turkish context, the establishment of the FSC in June 2011 as "an institutionalization venue" was a product of the policy entrepreneurship process (compare with Yagci, 2017). In doing so, the governor translated the Central Bank's preferred macroprudential policy agenda to a government agenda that included the introduction of macroprudential measures for macro-financial stability in order to contain macro-financial risks (e.g., excess bank credit growth and a widening current account deficit). However, setting the government agenda did not translate to the inter-bureaucratic agenda regarding macroprudential policy and instrument mixes; the prudential regulator, the Banking Regulation and Supervision Authority (BRSA), had conflicting institutional logic (i.e., distinct understandings of policy aims, objectives and tools) and was preoccupied with a microprudential policy program. Therefore, government agenda setting had to be complemented by the institutionalization process. In this respect, the governor adopted an effective combination of discursive and powering strategies. His discursive strategy included the mobilization of various types and forms of macroprudential ideas through repeated discursive interactions with BRSA decision-makers during FSC meetings. He also mobilized two specific power sources. His principal powering strategy included the arrangement of a joint IMF-World Bank mission visit that promoted the MPR program and establishment of the FSC, alongside engagement with the political power, authority and support of the treasury minister and deputy prime minister who chaired the FSC. His aim was to institutionalize macroprudential policy ideas and practices, cementing their implementation in the sensemaking process to attain the collective goal of macro-financial stability.

The Turkish exploratory case study draws extensively on several rounds of interviews with a cross-section of elite decision-makers from different bureaucratic organizations between 2013 and 2020. It offers an interesting empirical context to investigate the institutionalization of macroprudential policy ideas. We show that already-existing financial regulatory tools (i.e., macroprudential regulation) were adapted to new policy goals (i.e., to achieve and maintain macro-financial stability) and objectives (i.e., capital flow management). Senior officials at the Central Bank had the knowledge and will but lacked effective macroprudential regulatory instruments to respond to macro-financial risks, whereas their BRSA counterparts had the policy tools but lacked the knowledge and will to deal with the buildup of macro-financial risks associated with "hot money" (i.e., short-term, speculative, and unproductive) flows in 2010. As such, in the absence of complementary informal institutions (e.g., the cognitive and normative types of macroprudential ideas that affected BRSA decisions and actions), the availability of various formal macroprudential instruments alone was insufficient to affect the behavior of the banks and their customers. Further, there was a turf war among these principal bureaucratic actors over financial stability policy. This became visible in February 2010, resulting in the resignation of the Central Bank director of the Banking and Financial Institutions Department (Gülten, 2010). However, it is puzzling that a year later, the BRSA adopted the Central Bank view that measures based on macroprudential regulation had to be designed and implemented to contain macro-financial risks. Furthermore, inter-bureaucratic coordination on the design and implementation of policy and instrument mixes was sustained by these principal agents during the following decade. Past literature shows that rowing or steering bureaucratic actors responsible for the design and/or implementation of a preferred policy translate their bureaucratic agendas to the government agenda (see Bakir, 2003, 2009a, 2009b). In the Turkish case, we have a rowing bureaucratic actor in monetary policy (the Central Bank) that aims to translate its preferred bureaucratic agenda (macroprudential regulation to achieve macro-financial stability) not only to the government agenda through policy entrepreneurship but also to the agenda of another rowing bureaucratic actor in financial regulation (the BRSA) through institutional entrepreneurship.[1] This is because a single organizational actor with limited policy instruments is not able to address complex policy challenges that require inter-bureaucratic coordination and cooperation over policy and instrument mixes. Then, the central empirical and theoretical questions are: Why and under what circumstances does an agent combine the roles of policy and institutional entrepreneur? How are conflicting institutional logics among principal actors resolved? Addressing these questions requires an analytic eclectic approach (Sil & Katzeinstein, 2010) that is multidisciplinary and dependent on insights from various fields. Thus, this article identifies macro(structural)-, meso(institutional)-, and micro(agential)-level contexts that enable and reinforce individual agential actions (Bakir, 2013, pp. 13–14, 35–37; see also Bakir & Gunduz, 2017; Bakir & Jarvis, 2017b).

This article makes several contributions to public policy, institutional, and political economy research and theory. It contributes to public policy theory by expanding the understanding of overlooked connections between policy and institutional entrepreneurship. Further, our research also advances existing empirical and theoretical knowledge in the institutionalization of ideas, policy design and implementation, and macroprudential regulation literatures. Scholars drawing on institutional theory have extensively studied the causal role of ideas. However, the influence of different types (i.e., cognitive and normative) and forms (i.e., paradigmatic, programmatic and discursive) of ideas in the *institutionalization* process is often unrecognized or underappreciated (see, for example, Carstensen & Schmidt, 2016; Béland & Cox, 2016; Campbell, 2004). Only rarely, however, do scholars utilizing institutional analysis highlight how *different* types of institutional entrepreneurs operate in the *interstices* of different ideational realms to explain *policy change* (Campbell, 2004). Our research contributes to this scholarship by paying close attention to an individual agent operating in the *intersections*, rather than the interstices, of different

[1] "Rowing agencies" are responsible for the supervision and/or regulation of a sector, whereas "steering agencies" (both organizations and individuals) are responsible for setting broad policy directions in policy areas (Osborne & Plastrik, 1997).

types and forms of ideas during the *institutionalization* process; this has been an empirical rarity that should be explained and unpacked.

In a similar vein, public policy scholars widely recognize that there are *distinct collective* policy actors operating in *distinct* policy streams (Béland & Howlett, 2016a). We draw attention to an individual agent who combines the policy entrepreneur and institutional entrepreneur roles while operating across *interrelated* problem, solution, and political streams. Our research contributes to this scholarship by emphasizing overlooked individual agents with multiple resources and capabilities. Specifically, we draw attention to individuals with a high social status, who occupy a high social position in an organization and have unique access to key social, material, and political resources (Battilana, 2006; Battilana et al. 2009); those individuals with effective social skills have "a larger conception of the world," enabling them to define "which actors are legitimate and which outcomes are the most desirable" (Fligstein, 1997: 398). In doing so, our research addresses a resonant theme within public policy and institutional theory, showing when, how, and why an individual actor undertakes an institutional entrepreneurship role. We also add to the policy design and implementation literature (Howlett, 2014; Howlett & Rayner, 2013) by analyzing the much-neglected inter-bureaucratic institutionalization of policy and instrument mixes. Lastly, existing empirical research in comparative political economy (Baker, 2013, 2018) and public policy (Bakir, 2019) do not indicate how the macroprudential policy domain is constructed, by whom, and under what conditions, or how various types of macroprudential ideas emerged as interpretive frames to make sense of the policy context of macro-financial stability. Thus, this research also contributes to this scholarship by expanding understanding of the institutionalization of macroprudential ideas and their governance arrangements.

In the remainder of this article, we proceed by first providing a critical overview of the relevant concepts and approaches in the policy entrepreneurship and institutionalization, policy design and implementation, and macroprudential regulation literatures to position our article. Next, we describe our research method. Then, we integrate concepts from the MSF and institutional theory to present this case study on the combination of policy entrepreneurship and institutional entrepreneurship. We conclude with the theoretical and empirical implications of the findings and directions for future research.

Literature review

Kingdon's (1984 [1995]) pioneering work on government agenda setting utilizing the MSF offers a framework of interpretation for the policy entrepreneurship process (Zahariadis, 2007; Cairney & Jones, 2016; Howlett et al., 2017; Mintrom & Norman, 1999). It is based on three distinct streams within the government agenda setting process: problems, policies and politics. Recent research highlights distinct collective actors operating in these streams (Béland & Howlett, 2016a, 2016b).

For Kingdon, policy change occurs when these disparate streams are brought together by a policy entrepreneur (Kingdon, 1984 [1995], pp. 16–18; pp. 172–179). Policy entrepreneurs do not just promote a policy idea to elite decision-makers, they also ensure the convergence of disparate streams. This coupling results from the actions of policy entrepreneurs who invest resources such as time, energy, reputation, and money and take advantage of a brief opportunity (a "policy window") "to push for [a] solution or to focus attention on a certain problem" (Kingdon, 1995 [1984], pp. 179–184). In doing so, policy entrepreneurs, as rational actors, use policy ideas to pursue self-interests that may come in the form of "material, purposive or solidary benefits" (Ibid., p. 179). This is, however, a functionalist view of rational agency with a limited understanding of the role of ideas, discourse, and enabling resources and skills for agential action in policy entrepreneurship (more below).

Institutions refer to the "formal (i.e., legal) and informal (i.e., ideational) rules that guide the behavior of actors through [the] logic of instrumentality (maximizing benefits relative to costs) and/or logic of appropriateness (acting appropriately vis-à-vis cultural environments)" (Bakir, 2013, p. 13, Campbell, 2004). Political and policy scientists widely accept that various types of ideas "exert unique effects on decision making and *institutional change*" (Campbell, 2004, p. 93, emphasis added). Campbell (2004) offers a useful classification of different types and forms of ideas and different types of individual agents operating in their ideational realms in institutional change process. *Cognitive* ideas, "descriptions and theoretical analyses that specify cause-and-effect relations" are policy-outcome oriented (Campbell, 2004, p. 93). They come in the form of *programs* (i.e., "ideas as elite prescriptions that enable decision makers to chart a clear and specific course of action") and *paradigms* (i.e., "ideas as elite assumptions that constrain the cognitive range of useful programs available to policy makers"). A *normative idea* "consists of values, attitudes, and identities" (Campbell, 2004, p. 93). It is nonoutcome oriented. It comes in the form of *frames* (or discourse), "ideas as symbols and concepts that enable decision makers to legitimize programs to their constituencies [and to each other]," and *public sentiments*, "ideas as public assumptions that constrain the normative range of legislative programs available to decision makers" (Campbell, 2004, p. 94). Paradigms and public sentiments are "underlying and often taken-for-granted-assumptions residing in the background of decision-making debates" (Campbell, 2004, p. 93). Programs and discourses, on the other hand, are in the foreground of the decision-making debate, "where they are explicitly articulated by decision making elites" (Campbell, 2004, p. 93). Clarity in distinguishing different types and forms of ideas helps in understanding when and how ideas "inspire discourses that may justify policy programs in both cognitive and normative terms" (Carstensen & Schmidt, 2016, p. 322).

In this view, institutional entrepreneurs are defined as "agents of change" who "seek to mobilize ideas to affect *institutional change*" (Campbell, 2004, p. 101). By differentiating among types of ideas, it is possible to appreciate and recognize "*different types* of institutional entrepreneurs and other actors operating *in* different ideational realms" (Campbell, 2004, p. 101, our emphases). Accordingly, *decisionmakers* such as politicians and bureaucrats operate in programs, *theorists* such as academics and intellectuals operate in paradigms, *framers* such as spin doctors operate in frames, *constituents* such as the general public and decision-making elites relate to public sentiments, and *brokers* such as advisors and epistemic communities operate in "the *interstices* of these ideational realms" (Campbell, 2004, p. 107, emphases added). This perspective reflects a widely held view in the literature that there are different actors with divergent professional resources and capabilities that enable them to operate in their respective ideational realms. It, however, neglects an individual agency operating in the *intersections* of different ideational realms and the role of structural, institutional, and organizational-level contexts that motivate and enable his actions.

In differentiating among the types of ideas and institutional entrepreneurs, there have been calls by political scientists that "we should pay close attention to how [different] actors operat[e] in … [different ideational] realms in order to infuse our *analyses of institutional change* with a greater sense of agency than has previously been the case" (Campbell, 2004, p. 107, our emphases). However, this view overlooks four main issues. First, the main interest for political science and policy sciences scholars utilizing institutional theory has been in how public sector entrepreneurs mobilize ideas and discourses, "the interactive processes by which ideas are conveyed" (Schmidt, 2008, p. 305), to *change* policies and/or institutions (to name but a few, Campbell, 2004; Streeck & Thelen, 2005; Bakir, 2009a, 2009b, 2013, pp. 116–134; Mahoney & Thelen, 2010; Béland & Cox, 2011, 2016; Blyth, 2013; Christopoulos & Ingold, 2015; Carstensen & Schmidt, 2016; Markus, 2008) rather than how they *build* institutions. The point, for example, is not that "*coordinative discourse* [that] consists of the individuals [, organizations] and groups at the center of *policy construction* who are involved in the creation, elaboration, and justification of policy and programmatic ideas [in the policy sphere]" (Schmidt, 2008, p. 310, our emphasis) is not theorized. Rather, it is that our knowledge and empirical understanding of the role of individual actors mobilizing various types and forms of ideas *in the institutionalization processes* are limited (see, for example, Schmidt, 2008; Carstensen & Schmidt, 2016). Although these scholars have generally theorized about the effects of various types and forms of ideas on actions leading institutional change, in most cases they have not actually tested that link in detail in their empirical analyses. This is the second main weakness. Third, although it is common for scholars to acknowledge "power through ideas…as *a capacity of actors* to persuade other actors to accept and adopt their views of what to think and do through the use of ideational elements" (Carstensen & Schmidt, 2016, p. 323, our emphasis), there is little exploration of the "capacity of actors," or their resources and capabilities. It is the presence of socially skilled principal decision-makers who occupy high social status and social positions that makes ideas powerful. The power of these individuals is in their high social status, multiple social positions and social skills, not power "in," "over," or "through" ideas (more below). It is these actors who undertake strategic *agential actions* and make sense of reality, rather than just the "power of ideas," that change actors' perception of how the world operates. We show that ideational and/or discursive power alone does not explain the policy change or institutionalization process (compare with Carstensen & Schmidt, 2016). What distinctive in institutionalization, in our view, is that there is a sensemaking process, "the social process by which meaning is produced" (Philips et al., 2004, p. 641), accompanied by the discursive and powering strategies of socially skilled actors holding high social status and positions within a policy network. Fourth, theoretical and conceptual attention is primarily given to different types of institutional entrepreneurs operating in their different ideational realms. On the contrary, we argue that institutional entrepreneurs with the requisite resources and skills may also operate at the *intersections* rather than the *interstices* of these realms where they resolve conflicts and build coalitions. They can connect policy and institutional entrepreneurship processes. Thus, we need to know what enabling conditions and skills account for their actions. Entrepreneurial resources may come in the form of context-specific enabling conditions: macro(structural)-, meso(institutional)-, and micro(agential)-level contexts that enable individual agential actions (Bakir, 2013, pp.13–14, 35–37; see also Bakir & Gunduz, 2017; Bakir & Jarvis, 2017b; Battilana, 2006; Battilana et al. 2009). For example, some of the macrolevel enabling conditions include a crisis, shift in public mood, paradigm shift, political regime change, or election of a new government, while meso-level conditions include institutional failures and a shift in programmatic policy ideas (Bakir, 2009a, 2013, ch. 4). Microlevel contexts, as enabling conditions, can be further categorized into organizational-level and individual-level factors. Organizational-level enabling conditions include, for example, high social status such as the formal position of an organization within a policy network in a temporal context and the organization's strong policy capacity (for a detailed discussion, see Bakir & Coban, 2019). Regarding individual-level enabling conditions, an individual agent's high social status and elite position within an organization as a principal decision-maker and centrality within a policy network are some of the main factors that *enable* him/her to act as a policy entrepreneur. This is because the social position influences the agent's perception of how the world operates and provides special access to key resources (for a detailed discussion on the centrality of social positions to the resources of an organizational agent, see Battilana et al. 2009, p. 76; Battilana, 2006). In a similar vein, the social status that an individual agent holds in the eyes of a policy community—in relation to credibility, trust, respect, prestige, and legitimacy—also conditions an actor to act as a policy entrepreneur and/or institutional entrepreneur (see Bakir, 2009a, b; Gidron & Hall, 2017). Individual agents take strategic actions to select and exploit available resources and skills to achieve their goals, be it setting the government agenda and/or the institutionalization of policy ideas.

However, social position or social status alone is not sufficient for an individual agent to act as a policy entrepreneur. While they inform the perceived interests of agents and empower them with the resources to take agential action, agents' ability to achieve their goals is determined by their *social skill*, "the ability to motivate cooperation in other actors by providing those actors with common meanings and identities in which actions can be undertaken and justified" (Fligstein, 1997, p. 398). Bakir (2009a) showed that a policy entrepreneur with multiple professional identities and who was effectively equipped with discursive skills, including coordinative discourse that took place among policy actors about "policy construction" and communicative discourse that took place among political actors and the public "about the necessity and appropriateness of such policies," (Schmidt, 2008, p. 310) delivers policy and institutional changes. These are fundamental to the government agenda setting and policy change process, wherein shared ideas and perceived interests among various actors are created, conflicts are resolved, and coalitions are formed among various actors in the policy entrepreneurship process (Bakir, 2009a). Informed by the existing public policy literature and institutional theory on agency, we define policy entrepreneurs as *intentional agents who leverage the resources they hold, or differential access to key resources, and skills to influence the government agenda in order to advance their preferred policy ideas and/or perceived interests*.

Nevertheless, setting the government agenda does not always translate to the inter-bureaucratic agenda over policy and instrument mixes when there are conflicting institutional logics among principal public sector agents. Therefore, government agenda setting needs to be complemented by the institutionalization process. Less fully explored are linkages between the policy and institutional entrepreneurship processes in the institutionalization of policy ideas.

There has been rising interest among public policy scholars (Bakir & Jarvis, 2017a, 2018) to incorporate organizational institutional perspectives, including institutional work (Lawrence et al. 2009) and enabling conditions (Battilana & D'Aunno, 2009) since scholars with analytic eclectic perspectives made the first call (Bakir, 2013, p.14). Indeed, in organizational institutionalism in the management field, the role of individual or organizational agency in the institutionalization process increasingly plays a central role in understanding the often-overlooked institutionalization process (Battilana et al. 2009; Lawrence et al. 2009; Zietsma & Lawrence, 2010). This perspective reintroduces agency into institutional theory and focuses on the concept of "institutional work," defined as "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215). Battilana (2006, p. 654) offers a representative definition of an agency in this literature: "[i]nstitutional entrepreneurs are actors who have an interest in particular institutional arrangements and who mobilize resources to create new institutions or transform the existing ones." This definition, and its operationalization, assumes that agential actions are interest driven and the mobilization of resources based on social status is critical. In a similar vein, following Kingdon (1995, p. 179), public policy scholars define policy entrepreneurs as "advocates who are willing to invest their resources—time, energy, reputation, money—to promote a position in return for anticipated future gain in the form of material, purposive or solidary benefits" (Petridou & Mintrom, 2000, p.2). This is a functionalist view of an agency in which the willingness to act is dependent on his/her *interest*, which excludes the role of ideas that influence agential action. The role of cognitive and normative ideas in informing an actor to act and discursive and powering strategies adopted in the interactive sensemaking process among principal actors in institutionalization is relegated to a residual category in these organizational science and policy science literatures. This, in our view, is a weakness. We share the widely held view in the institutionalization literature that "institutions are not just social constructions, but social constructions constituted through discourse [and] institutionalisation occurs as actors interact and come to accept shared definitions of reality, and it is through linguistic processes that definitions of reality are constituted" (Phillips et al. 2004, pp. 635, 638; see also Lawrence & Suddaby, 2006, p. 17; Zietsma & Lawrence, 2010, p. 190). In contrast to this literature, however, we do not exclusively focus on the role of discourse in sensemaking processes. We argue that effective institutionalization takes places when discursive strategies are accompanied by powering in sensemaking processes.

In his seminal work, Heclo (1974) argues that policy outcomes are the products of both "puzzling" and "powering" of principal actors.[2] Similar to normative ideas, puzzling is defined as "a process of social learning expressed through policy" and political learning as "an enduring alteration of behaviour that results from experience" (Helco, 1974, pp. 305–6). This puzzling may be part of sensemaking process that is also relevant to understanding institutionalization. Yet, puzzling alone does not explain the policy or institutionalization process. As Heclo (1974) argues, puzzling is highly intertwined with powering, "defined as power struggles among competing groups to determine the content and outcome of public policy" (Zahariadis, 2016, p. 464). In our view, powering takes place when an actor has resources and capabilities to exert considerable pressure, authority or influence on the thinking and choices of a competing actor to create an acceptance of his/her preferred problem definitions and their solutions. Thus, policy outcomes are products of the interplay between puzzling and powering (see also Stock et al. 2021; Heclo, 1974; Hall, 1993; Hoppe, 2010; Steen et al. 2016). As Steen et al. (2016, p. 10) put nicely, "puzzling and powering interact; by strategically selecting frames and partners, agents shape the process of sensemaking and the power play over what frame arrives on the policy agenda." Here, Heclo uses "puzzling" to point to the role of ideas in collective social learning under uncertainty expressed through policy. In the Turkish case, however, the Central Bank had a very clear programmatic MPR ideas. We argue that effective institutionalization takes places when sensemaking processes are accompanied by discursive and powering strategies. Drawing on these insights, we define an institutional entrepreneur in the public sector as *a purposeful agent who has the relevant social status, position and skills to introduce, develop and legitimize common definitions of policy ideas, their understandings and practices that persuade other principal decisionmakers and inform their actions through ongoing patterns of discursive interactions and powering in sensemaking processes*.

[2] Authors thank a referee for bringing Heclo's concepts of "puzzling" and "powering" to our attention.

Our research also contributes to the policy design and implementation literature. The recent advances in this literature highlight "[t]he new design orientation [that] focuses on bundles or portfolios of tools and the interactive effects which occur when multiple tools are used over time in policy packages operating in complex multi-policy and multi-level design contexts and often expected to address multiple goals and objectives" (Howlett, 2019, p. 33; Howlett, 2014). One area that has not received much attention, however, is the institutionalization of the policy design and implementation process through ongoing patterns of inter-bureaucratic discursive interactions justifying and legitimizing policy goals, objectives and instruments. In this article, we examine the extent to which the institutionalization of policy ideas facilitates inter-bureaucratic collaboration. In doing so, our article takes a step forward toward the much needed "research in this vein [that] is necessary to advance our understanding of both designs themselves and the processes which lead to their adoption, implementation, evaluation and reform" (Howlett, 2014, p. 190).

Further, by focusing on the institutionalization of macroprudential ideas, our article advances the political economy literature on macroprudential regulation (Baker, 2013). It is interesting to note that macroprudential policies, which were originally proposed to achieve financial system-wide stability (i.e., systemic stability) in developed countries following the GFC (Baker, 2013), were extended to achieve both financial and macroeconomic (or macro-financial) stability in developing countries. In the post-GFC context, quantitative easing by central banks in developed countries led to a surge in volatile, short-term, and unproductive financial capital inflows ("hot money") to developing countries between 2009 and 2014 (IMF 2011; Garcia-Escribano & Han, 2015). The result was the buildup of macro-financial risks associated with hot money flows, such as excess bank credit growth, increased household leverage, and a widening current account deficit. These macro-financial risks were the main sources of macro-financial instability for developing countries (IMF, 2017a). Unsurprisingly, central bankers and financial regulators in developing countries designed and implemented monetary and macroprudential policy and instrument mixes to contain the financial and macroeconomic risks stemming from such flows (IMF, 2017a). Specifically, a portfolio of macroprudential policy tools (e.g., bank capital requirements, loan regulations, and reserve requirements) and monetary policy tools (e.g., lower policy rates) has been used by these key actors to preserve financial and macroeconomic stability (Lim et al., 2011; IMF, 2011, p. 9). As such, Turkey "successfully curbed credit growth" (IMF, 2017a, p. 71). However, our empirical knowledge of how central bankers and financial regulators, as elite decision-makers, played a key role in the introduction and implementation of macroprudential measures to contain macro-financial risks is limited. For example, while we understand from international and comparative political economists that, as a new consensus of the transnational epistemic community in finance, "the idea of macroprudential regulation moved to the center of the policy agenda and became *the principal interpretative frame* for financial technocrats and regulators seeking to navigate the GFC and respond to it, in terms of not only diagnosing and understanding it, but also advancing institutional blueprints for regulatory reform" (Baker, 2013, p. 113, our emphasis; see also Bakir & Woo, 2016), it is not clear how different types and forms of macroprudential ideas were introduced and implemented at the national and inter-bureaucratic levels to contain macro-financial risks. The theoretical underpinnings of the empirical discussion in the remainder of this article draw on the above cutting-edge conceptual and theoretical approaches and empirical research.

Method

The motivation for our current work using the case of the institutionalization of macroprudential ideas is to answer the following questions: How can we understand and explain the processes underlying the mobilization of various types and forms of ideas in the *institutionalization* of a new inter-bureaucratic logic in the public sector that have not been adequately investigated; and how can policy and institutional entrepreneurship processes provide insights into such an investigation? To study the institutionalization of policy ideas, we conducted a qualitative study on the process by which macroprudential thinking and actions are produced and reproduced. Specifically, this article adopts an exploratory case study method. This method is preferred because it examines the phenomenon in its real-life context, investigates why and how questions, and benefits from multiple sources of evidence (Yin, 1994). The qualitative data are comprised of a combination of elite interviews and written sources. Interviewees included a cross section of elite decision-makers from different bureaucratic organizations, including four very senior central bankers (a former central bank governor, two deputy governors, a former director general of the Research and Monetary Policy Department), and two Treasury seniors (a former acting vice undersecretary of the Treasury and the director general of Financial Sector Relations and Exchange), and two senior banking regulators (a deputy chairman of the BRSA and a senior banking expert). A series of 60-min, semi-structured elite interviews with open-ended questions were conducted in Ankara and Istanbul in 2013 and 2019, and an online follow-up interview was carried out in 2020. This article used “purposeful sampling” (Lincoln & Guba, 1985) in choosing interviewees who would best be able to contribute to the paper’s main research questions. Interviewees were then asked for their recommendations of who else might be able to discuss the Turkish experience, thus utilizing a snowball technique. There were several rounds of interviews because of the iterative and cumulative nature of this research. Further rounds, which refined the interview data, continued until additional interviews yielded no new information. The interview participants provided critical information concerning government MPR agenda and the institutionalization of macroprudential ideas. The interviews were augmented by an extensive review of primary and secondary written sources. These sources included presentations and speeches by principal decision-makers and official reports of public bureaucracies and international intergovernmental organizations, as well as newspapers and academic publications. They served as triangulation and supplementary sources for interview data.

Problems, policies, and politics: policy entrepreneurship and government agenda setting in macroprudential regulation

Hot money flows have been the key source of macroeconomic and financial crises in developing countries, including Turkey (see Bakir & Öniş, 2010). Following the exogenous shock of quantitative easing programs implemented by developed country central banks in early 2009, Turkey “outperformed most emerging markets peers” in hot money inflows in 2010 (IMF 2011, p. 91), resulting in the highest annual average real credit growth among developing countries and contributing to the widening current account deficit (see Garcia-Escribano & Han, 2015, Fig. 1, pp. 1, 3, 4).

Because of these developments, senior officials at the Central Bank incorporated financial stability as a new supplementary objective in addition to its formal price stability objective (Yılmaz, 2011). As a result, in November 2010, they started using a "policy mix of lower policy rates [as monetary policy tools] to further curb capital inflows and higher reserve requirements [as macroprudential policy tools] to contain credit growth" (IMF 2011, p. 26; for a detailed discussion of the effects and limits of this new policy mix, see Kara, 2012).

Central Bank officials relied on a strong organizational policy capacity in designing and implementing these instrument and policy mixes (Bakir & Coban, 2018, p. 228). However, in the absence of macroprudential regulation that had yet to be implemented by the BRSA, Central Bank actions to contain macro-financial risks with the new policy mix faced limitations in early 2011. For example, from the last quarter of 2010, when the Central Bank started implementing this "policy mix," to June 2011, when the FSC was established, private sector loan growth and total loan growth continued to rise about 40 percent (IMF, 2012, p. 12) and 35 percent (Kara, 2016, p. 129), respectively.

The policy solution and the Central Bank bureaucratic agenda included complementary macroprudential policy tools to be implemented by the BRSA in order to manage capital flows. A former director general of the Research and Monetary Policy Department of the Central Bank noted the principal policy implementation tools of the BRSA, "capital adequacy regulation" and "consumer loan and credit card regulations" in particular, were seen to have a major impact on the banking sector, limiting credit expansion by increasing the cost of credit (Interview, CB2, 8/11/16). Central Bank monetary and macroprudential tools were thus deemed to be "limited" in this respect.

However, the BRSA had a conflicting "mental model" (Knight & North, 1997, p. 216) or "institutional logic" (Thornton & Ocasio, 1999, p. 804). In contrast to the Central Bank, it was preoccupied with a microprudential policy program—focusing on bank-level risk and the financial soundness of individual banks—rather than a macroprudential policy program that focused on systemic risk and the stability of the financial system as a whole. The BRSA had positioned itself as a microprudential authority. Thus, macroprudential regulation to contain macro-financial risks was not on its bureaucratic agenda. In the words of a senior BRSA official, "[O]ur macroprudential policies had microlevel origins. They were microlevel based prudential regulations since they were concerned with bank-level financial soundness" (Interview, BRSA1, 11/1/16).

The appointment of Erdem Başçı as governor of the Central Bank on April 11, 2011, was a critical juncture within the Central Bank. This formal position significantly increased the likelihood that Başçı's actions would affect the government's financial regulatory agenda and the institutionalization of macroprudential ideas (for a discussion of critical juncture, see Capoccia & Kelemen, 2007, p. 348). In this regard, his appointment opened a "policy window" (Kingdon, 1984 [1995], p. 20) for policy entrepreneurship processes. Being a governor of a high-status bureaucratic organization at the center of macroeconomic bureaucracy is certainly one of the fundamental organizational-level enabling conditions to acting as a policy entrepreneur. However, in contrast to his predecessor, who had highlighted macro-financial risks as problems and the relevance of macroprudential measures as solutions (Yılmaz, 2011), Başçı had additional social positions and skills that were among the principal individual-level enabling conditions allowing him to couple these problems and solutions with politics and with the sense making processes through initiating policy and institutional entrepreneurship, respectively. Başçı had multiple social positions that were reflected in his professional identities (e.g., as an academic, economist, advisor, and governor), discursive skills and powering capabilities and resources. He was a full-time *academic economist* at a research university before working at the Central Bank. In contrast to former governors who were not professional academics, the governor was open to new policy ideas and keen to experiment with their implementation. In the words of a former Central Bank deputy governor,

> We had a "dream team" at the top of the Central Bank. [Başçı] could quickly translate an [abstract] idea to a policy. …Deputy governors were also important, and they were academic economists. But it was the governor who was the leader. He was very active, with high potential and strong [academic] credentials (Interview, CB3 22/2/19).

During his deputy governorship, which lasted from October 2003 to April 2011, Başçı was responsible for the Banking and Financial Institutions Directorate and Foreign Relations Directorate at the Central Bank. During this period, he became a socially skilled central banker with the specialized knowledge and expertise that enabled him to reflect on the changing programmatic policy ideas and institutional logics in central banking and financial regulation. In this position, he had "the longest experience" as a bureaucrat, and he was exposed to transnational socialization within the macroprudential policy framework. For example, he regularly attended the Group of 20 (G20) meetings with the new Treasury Minister and Deputy Prime Minister, Ali Babacan,[3] as well as Bank for International Settlements (BIS) meetings. During Başçı's deputy governorship, Turkey became a member of the Financial Stability Board (FSB), the Basel Committee on Banking Supervision, and the Group of Governors and Heads of Supervision. The Turkish officials also started participating in the FSB Steering Committee in 2009. Indeed, his social position enabled him to have ongoing interactions with the transnational epistemic community in finance where he witnessed "trend[s] [and] changes in [the] world economy and its institutions" (Interview, CB1, 7/12/13). One of the individual-level enabling conditions for Başçı's purposeful actions was his social skills that came in the form of "a larger conception of the world" (Fligstein, 1997: 398) that allowed him to define legitimate courses of action to achieve desirable policy outcomes. Specifically, Başçı was aware of the shift in cognitive paradigmatic assumptions in finance from the "efficient market hypothesis" (Fama, 1970) to the internationally established and legitimate "financial instability hypothesis" (Minsky, 1977) which called for a macroprudential focus and discredited an exclusive microprudential focus in financial regulation. Regulatory assumptions shifted away from the idea that markets are efficient and stable (Baker, 2013) and toward the assertion that risks are born in periods of stability, and financial and credit cycles are the key sources of "macroeconomic system-wide instability." The GFC and quantitative easing programs were critical junctures that opened spaces at structural level for the Central Bank senior officials to adopt the MPR tool for capital flow management to contain macro-financial risks. The legitimacy of the MPR program in the post-GFC era enabled Başçı at the informal institutional level as a policy and institutional entrepreneur. In the words of a deputy governor,

> Before 2007, I guess we could not do [macroprudential regulation to contain macro-financial risks]. The GFC has shown that microprudential regulation was not enough

[3] Ali Babacan served as minister of economic affairs (2002–2007), minister of foreign affairs (2007–2009) and the deputy prime minister for economic and financial affairs (2009–2015) in the 61st and 62nd governments of the Republic of Turkey, see https://www.tbmm.gov.tr/develop/owa/milletvekillerimiz_sd.bilgi?p_donem=26&p_sicil=6063, accessed on March 14, 2017.

> [for maintaining financial stability], and there was a need for macroprudential regulation (Interview, CB3 22/2/19).
>
> Furthermore,
>
> The introduction of macroprudential tools for capital flow management was not a norm. Generally, such policy responses are used during crisis times. …We were among the first countries which adapted macroprudential regulation to capital flow management with a pre-emptive approach. … [The] IMF put this forward in 2016 and 2017. Yet, our implementation began in late 2010 (Interview, CB2 28/6/20).

As a result of their professional working relationship and exposure to transnational financial policy networks that extended over years, Governor Başçı and Minister Babacan—as elite decision-makers—"shared a common worldview" on critical policy issues such as the need to contain excess bank credit growth that leads to financial instability through macroprudential regulation (Interview, CB2 25/1/19).

As a policy entrepreneur, Başçı took the initiative in coupling policy problems and their solutions with politics. He sought to tackle the problem of macro-financial risks arising from capital flows—using macroprudential regulation for capital flow management purposes—to achieve the objective of macro-financial stability. In doing so, he played the leading role in translating the Central Bank's macroprudential policy agenda to the government agenda.

Regarding the problem, interviewees widely noted that hot money flows led to the buildup of macro-financial risks that came in the form of excess credit growth and leverage, low levels of domestic savings, the appreciation of domestic currency, a sharp deterioration in current accounts and the quality of external finance sources, and an increasing dependency on capital inflows in Turkey (see also Kara, 2012, 2016; Aysan et.al., 2014). In the words of the then-governor of the Central Bank, this was "our problem" (Interview, CB1, 7/12/13). The Central Bank was acting like a steering bureaucracy. In this context, a senior central banker noted:

> Somebody had to intervene in this. There was no other institution [*sic*] looking at the economy and the financial sector from a macro perspective, except the Central Bank. Thus, we were self-assigned to this issue (Interview, CB2, 8/11/16).

The solution to containing macro-financial risks was the establishment of the FSC, where communication, coordination, cooperation and/or collaboration among monetary and macroprudential policy and instrument mixes would be achieved.

As a strategy, Başçı utilized powering to mobilize intellectual and political support for the interpretation of the policy problem (macro-financial risks) and its solution (MPR) which required a formal governance arrangement (i.e., the FSC). In the wake of the establishment of the FSC, his embeddedness in the transnational epistemic community of finance resulted in a visit by a joint IMF-World Bank mission to the undersecretary of the Treasury, governor of the Central Bank and chairman of the BRSA in Ankara and Istanbul from March 23 to April 5, 2011 (IMF, 2012, p. 2). These external actors were ideational entrepreneurs promoting and legitimizing the introduction of macroprudential regulatory tools and establishment of the FSC to achieve systemic financial stability.

> They [were] involved in discussions during that time. We had just started implementing a new monetary policy [focusing on macro-financial stability]. Drawing on

> country examples, they gave recommendations for the establishment of the Financial Stability Committee and [what] its composition should be (Interview, CB2 25/1/19).

The Central Bank preferred the minister to chair the FSC to establish an internal power coalition (interviews). This afforded senior central bankers to the leverage the BRSA seniors to adopt the macroprudential agenda through FSC meetings.

In addition to his ties with the transnational epistemic community in finance, Başçı's other main resource that relates to powering was his *strong interpersonal ties* with then-Minister Babacan. They have common social background including a shared neighborhood, childhood and schooling (see Hürriyet, 2011). Furthermore, Başçı had a close working relationship with Babacan due to his multiple social positions. He was an *advisor* to the Minister in 2002 before being appointed as a *deputy governor* for eight years. Through the minister, the governor brought macroprudential regulation to the government agenda that resulted in the establishment of the FSC in June 2011. Interviewees shared the view that Governor Başçı was "the principal leader behind the establishment of the Financial Stability Committee" and "mutual trust among [Başçı and Babacan] was critical" in the translation of Central Bank policy preferences into government policies (Interview, CB2 25/1/19).

> It is of utmost importance that the governor and the minister were on the same page. … The establishment of the Financial Stability Committee was very fast. If you planned such a committee in Switzerland it would have taken three years. We had the [committee] established within one month or so after thinking about it (Interview, CB2, 25/1/19).

The FSC mandate included making recommendations to constituent agencies which had direct regulatory and supervisory authority and playing a coordinating role. It was chaired by the Treasury minister, who was briefing the Council of Ministers regarding the results of the Committee's meetings and decisions. The remaining principal decision-makers at the FSC, who were involved in the analysis, production, and implementation of macro-financial stability measures, included the Central Bank governor, the chairman of the BRSA, and the Treasury undersecretary.[4] The FSC's formal tasks included "monitoring and preventing systemic risks and carrying out necessary [*sic*] coordination in systemic risk management activities" (Central Bank, 2014, p. 2). However, the main reason behind the establishment of the Committee was to "support the Central Bank's financial stability measures with the BRSA's macroprudential regulatory policy," claimed a former deputy governor of the Central Bank (Interview, CB4, 17/9/16). In the words of the deputy chairman of the BRSA, "since capital inflows were not influenced as expected by the Central Bank, with higher reserve requirements and the interest rate corridor, the Central Bank requested the BRSA to implement macroprudential regulatory measures in Financial Stability Committee meetings" (Interview, BRSA1, 11/1/16).

[4] There were two other members of the FSC which were not directly involved in the macroprudential policy framework: the Savings Deposit Insurance Fund, the key authority on the bank resolution framework, and the Capital Markets Board, a disclosure regulator.

Institutional entrepreneurship: the institutionalization of new policy ideas and steering their implementation

However, the policy entrepreneurship process that led to the establishment of the FSC by the government was not the institutionalization of macroprudential ideas. Given the conflicting institutional logics of the Central Bank and BRSA, there was a need for discursive and "powering" strategies in sensemaking processes. In the absence of a shared understanding of why macro-financial stability was to be an inter-bureaucratic goal and how the BRSA's MPR tools would be crucial in containing macro-financial risks, FSC meetings could not generate coordination and collaboration in the design and implementation of policy and instrument mixes to attain macro-financial stability as a collective end. Thus, policy entrepreneurship had to be complemented by institutional entrepreneurship that involved setting the BRSA agenda on macroprudential regulation. As such, the FSC was established as an "institutionalization venue" where the Central Bank had an opportunity to influence the thinking and actions of the BRSA on macroprudential issues. As one interviewee noted:

> We were able to penetrate [macroprudential policy design and implementation] much more easily, and as the Central Bank you translate your ideas about macro-financial risks to actions. … The establishment of the [Financial Stability Committee] was a very important development because the committee approached systemic financial risks from a broader macro perspective. 90 percent of the most effective macroprudential policy instruments were in the hands of the BRSA. Thus, we needed an *injection* of a macro perspective in the BRSA and its implementation. That was impossible in the then-existing [fragmented] institutional setting. We could not get together with the BRSA for this. This is because each [actor] defended their objective function. … The BRSA had a micro perspective to prudential regulation. When the [Financial Stability Committee] was formed…we tried to transfer our macro-perspective there (Interview, CB2, 8/11/16, our emphasis).

The institutionalization of policy ideas requires elite decision-makers' *common understanding* of problems and their solutions to achieve policy goals and objectives. Thus, it relates to the institutionalization of policy design and implementation-related ideas and practices that facilitate communication, coordination, cooperation and/or collaboration among principal actors over policy instruments and goals.

Başçı's embeddedness in the transnational policy network, academic knowledge, and central banking expertise empowered him with strong discursive skills. He was a legitimate agent in interdiscursive competition with BRSA seniors over the definition of appropriate policy goals, objectives and means. This was because he was regarded as a knowledgeable, credible, and prestigious agent. During the institutionalization of macroprudential ideas, Başçı mobilized a macroprudential policy paradigm and program as cognitive idea forms to specify cause and effect relationships and coordinative macroprudential policy discourse as a normative idea form to specify appropriate and legitimate strategic actions (more below).

In line with the "financial instability hypothesis," it was essential for Central Bank senior officials to generate inter-bureaucratic collective action wherein FSC members and the BRSA could collaborate on macroprudential policy measures. In this view, financial actors are not rational, and macro-financial risks arise from excessive bank credit growth and household debt. The *cognitive paradigmatic argument* behind the sensemaking process at FSC meetings was that "[t]he GFC has shown that the microprudential focus on the safety and soundness of individual banks in prudential policy …. [and] price stability objectives in monetary policy were not sufficient to ensure financial stability, [and that therefore] necessitated a macroprudential focus" (Interview, CB2, 8/11/16). In the words of the governor at the time,

> We have a low savings ratio and high current account deficit. Under normal circumstances, you would not expect any banking regulator to act on these issues. This is normal. *But when the macroprudential framework widely accepted and gained currency in the world and started spreading* [across countries], *there was a structural change* [in the governance of financial regulation] in Turkey. …Macroprudential measures were a new fashion which did not come to the [regulatory] agenda before [the GFC]. Now we have a very conducive environment for utilizing macroprudential tools, the BRSA's set of tools, to contain systemic risk from a macro-perspective (Interview, CB1, 7/12/13, our emphases).

Between August 3 and December 8, 2015, the FSC held 22 meetings which were crucial in the institutionalization of macroprudential ideas that would inform the thinking and actions of BRSA senior officials through ongoing patterns of discursive interactions. A deputy governor who attended those meetings noted:

> At the beginning, we were meeting every two to three weeks. These meetings were starting during the day and lasting until the morning of the next day. These were meetings of 10 to 15 hours where we had only a break for lunch or dinner. …We had regular meetings (Interview, CB3 22/2/19).

In these meetings, Governor Başçı also elaborated a *macroprudential policy program* as a cognitive concept in the foreground of sensemaking debates with FSC members (for interdiscursivity, see Fairclough, 1992, p. 85; Phillips et al. 2004, p. 644). The aim was to facilitate coordination and collaboration with the BRSA by specifying how to address macro-financial risks in the sensemaking process. Başçı focused on the efficacy of macroprudential regulation to contain macro-financial risks. He suggested that the BRSA had the relevant macroprudential tools in the bank-based financial system to contain the credit growth and current account deficit. As the then-Governor puts nicely: "[the BRSA's] macroprudential policy instruments are very effective when they are used, as the banking sector is sensitive to them. In these instances, we get very quick results [in curbing credit growth and current account deficits]" (Interview, CB1, 7/12/13). In the words of a senior central banker:

> We [the Central Bank] essentially wanted to make sure that the BRSA got involved [in implementing macroprudential regulation]. This is because 90 percent of financial intermediation in Turkey takes place through the banking sector. Thus, we thought that direct [macroprudential regulation] measures constraining the banking sectors' credit expansion or increasing the cost of credit to consumers were influential in limiting credit growth. … [For example] higher risk weights [and] general provisions for consumer loans, higher minimum payments for credit card debt, and loan-to-value caps for housing loans …had a tremendous impact [on this course] (Interview, CB2, 8/11/16).

In addition to a macroprudential paradigm and policy program, Başçı used a *normative frame* as a coordinative discourse that resides in the foreground of the sensemaking process. Although there was no crisis environment or uncertainty about what to do (Blyth, 2007), this was similar to the puzzling strategy as it aimed at legitimizing MPR as a solution to macro-financial risks. Specifically, Başçı made sense of past Turkish financial crises when he referred to macro-financial risks to legitimate the macroprudential policy program to the BRSA bureaucratic agenda, and therefore, to facilitate its collaboration to achieve macro-financial stability objective:

> If the surge in capital inflows had continued, they could have seriously damaged the economy, leading to panic and sudden stops and reversals of capital flows. In the past, in the 1994 and 2001 [Turkish financial] crises, we had this experience. …We wanted to make sure the BRSA stepped in [through macroprudential regulation] because the whole mechanism [that generated macro-financial risks] operated through the banking sector (Interview, CB2, 8/11/16).

What was distinctive in this discursive strategy, in our view, was that there was a sensemaking process about how to interpret the *bureaucratic* interest of the BRSA with special reference to the macroprudential policy goals and tools. One interviewee reported:

> The Central Bank's principal argument was based on the view that if we could not contain macro-financial risks, they may turn into micro problems [i.e., bank liquidity and solvency problems] in the future. That's how we translated the relevance of the macroprudential measures to their [BRSA's] language. Commercial banks' capital might be seen as strong now. However, a foreign exchange crisis due to the widening of the current account deficit would hit the banks. A sharp decline in foreign credit would hit individual banks (Interview, CB2 25/1/19).

In doing so, Başçı made sense of macroprudential regulation, enhancing the understanding of macro-financial risks and how to address them, in a way that appealed to the BRSA mandate (see also, Başçı & Kara, 2011, p. 10; Kara, 2011, p. 5). References to the Turkish financial crises and the relevance of macroprudential regulation by the BRSA to contain the macro-financial risks were also important in defining the *collective* interests of politicians and bureaucracies in addressing financial risks and restoring financial stability. Macroprudential policy promoting the containment of macro-financial risks to prevent financial crisis was also in the interest of politicians and governments (for the interaction between politics and policy with special reference to policy success and failure, see McConnell et al. 2020). Indeed, a crisis in the financial markets affects virtually every facet of the domestic economy, as well as the credibility and legitimacy of politicians and public bureaucracies (see BRSA, 2009, p. 18). These factors raise the stakes of macroprudential policy and elevate politician and BRSA support for macro-financial stability. As a senior official at the BRSA noted "the BRSA's macroprudential policies had political origins as well. If a crisis occur[red], the politician must bear the cost of that crisis. So, it might be in the interest of the politician that prudential regulation of the banking sector contains emerging risks in the sector, which may cause instability for the country" (Interview, BRSA1, 11/1/16).

However, between the Central Bank and BRSA, the sensemaking process was contested. The key area of dispute included whether there was a need for macroprudential tools to curb excess consumer credit growth and household leverage. For the Central Bank, "macroprudential tools must be considered for limiting macro-financial risks" (Interview, CB1, 7/12/13). In contrast to the Central Bank, the BRSA still had the taken-for-granted paradigmatic assumptions of the "efficient market hypothesis" regarding the appropriate approach to financial regulation. Thus, BRSA officials believed that the best way to ensure financial stability was through the policy prescriptions of the microprudential program. In the words of a senior BRSA official,

> We [the BRSA] thought that there was no rationale for such [macroprudential] measures. …I was personally inclined not to implement macroprudential measures because they did not have an economic rationale (Interview, BRSA1, 11/1/16).

BRSA discourse—seeking to justify a microprudential program in cognitive terms—was clearly visible in its *2011 Financial Markets Report*: "thanks to [banks'] strong capital structure and prudent risk management, *the banking sector is resistant to the most severe macroeconomic shocks and its fragilities are at a minimum level*" (BRSA, 2012, p. vii, our emphases). Accordingly, the macroprudential measures to contain bank credit growth and household debt, such as higher loan risk weights and general provisions for consumer loans, were not appealing to the thinking and actions of the BRSA. Unsurprisingly, there was a discursive competition over the interpretation of the problem and its solution between Central Bank and BRSA officials.

Institutionalization process, however, was not limited to inter-bureaucratic discursive interactions between Central Bank and BRSA senior officials at the FSC. It also involved powering that came with the political power and authority of the minister. Policy ideas become more politically salient because of the attention and support given by principal politicians (see Bakir 2003). Babacan exercised his political power and authority to influence the BRSA's adoption of macroprudential solutions to macro-financial risks. In the words of a senior Central Banker,

> Each bureaucratic agent defends their respective mandate. Both the Central Bank and BRSA report to the minister who chairs the Financial Stability Committee. Thus, that the minister's [macroprudential] view [aligned with the Central Bank] was seriously taken into account. One of the reasons why the BRSA [adopted the MPR perspective] was the [political power of] the minister (Interview, CB2 25/1/19).

Powering opened a space for the effectiveness of discursive interactions justifying and legitimizing the macroprudential policy program during FSC meetings.

> The Treasury and the minister were present [at the FSC meetings]. There were divergent bureaucracies involved [in the process]. Thus, no matter how hard the Central Bank tried, it would not have been possible [for the BRSA to adopt a macroprudential agenda]. This was because the will of the political authority [over the establishment of the FSC and adoption of macroprudential measures]. It played a significant role in the outcome (Interview, CB3, 22/2/2019).

It is the presence of effective discursive strategies, coupled with powering, rather than the importance of macroprudential ideas, that changed BRSA's understanding of how the world worked and what its bureaucratic interests were. In the words of a senior BRSA official:

> The answer to the question of why Turkey is applying macroprudential policies today relates to the international environment. Developing countries have been growing rapidly. There were calls for [a] "soft landing" … due to the threat of a sudden stop or even capital flow reversals arising from global economic uncertainties (Interview, BRSA2, 11/1/16).

Furthermore, the institutionalization of policy ideas is not limited to elite decision-makers' common understanding of problems and their solutions to achieve a collective goal. It also requires the institutionalization of policy design and implementation practices that facilitate communication, coordination, cooperation, and/or collaboration among policy workers over policy instruments and goals. In this respect, the Systemic Risk Assessment Group was established by a protocol signed by FSC members in October 2012 (FSB, 2015, p. 14).

> There are very useful subcommittees of the Financial Stability Committee, which consist of technical working groups where the Central Bank and BRSA work together. The Treasury is also part of it. Since the Central Bank's technical capacity is stronger than the BRSA, it seemed like the Central Bank gave technical support to the BRSA. The BRSA did not have a comprehensive approach to stress tests. They did not have technical capacity. We gave support to them and we continue to do so (Interview, CB2 25/1/19).

Through such interorganizational interactions, BRSA officials internalized a macroprudential perspective in stress testing (see also IMF, 2017b, 18). Accordingly, the BRSA abandoned its taken-for-granted assumptions in microprudential ideas and its exclusive focus on a microprudential policy program. Indeed, the BRSA's cognitive background assumptions that informed its cognitive foreground policy prescriptions about the financial markets and regulation shifted away from the "efficient market hypothesis" and toward the "financial instability hypothesis." For example, in contrast to the BRSA's *2011 Financial Markets Report,* the *2012 Financial Markets Report* showed that the BRSA had come to a shared meaning of macroprudential regulation for macro-financial stability: "…despite the strong reserves [of the Central Bank], the continuation of global risks, short-term capital inflows, upwards [*sic*] trend in real exchange rate levels, require the preservation of a macroprudential approach in 2013, as well" (BRSA, 2013a, p. i; see also BRSA, 2013b, p. 50; BRSA, 2019, pp. 11, 18, 29).

The Central Bank and BRSA have continued to coordinate and collaborate on the elaboration of policy problems and their solutions. As a Central Bank former governor notes:

> We [the members of the Financial Stability Committee] need to coordinate [macroprudential] issues. We think about pre-emptive measures. This provides us great relief and advantage. …We are informed about one another… We see positive results of [inter-organizational] coordination (Interview, CB1, 7/12/13).

Indeed, one of the former governors of the Central Bank referred to the 33 FSC meetings between June 2011 and August 2017 in a BIS paper and noted that: "authorities in Turkey have more recently implemented a coordinated policy mix of tight monetary policy along with accommodative macroprudential and fiscal policies to maintain price, financial and macroeconomic stability" (Uysal, 2017, p. 249; see also BRSA, 2019, pp. 11, 29; Central

Bank, 2019a, 2019b, 2020a; KPMG, 2020). The macroprudential ideas were institutionalized across these principal actors, and their inter-bureaucratic cooperation and collaboration continued following the end of Başçı's five-year fixed-term on April 19, 2016. For example, in response to the macro-financial risks posed by capital outflows following the failed coup attempt in July 2016, the BRSA loosened various "macroprudential regulatory measures in order to stimulate bank credit expansion" in September 2016 (Bakir, 2019, p.7; see also BRSA, 2016, pp. 46–47), while the Central Bank reduced interest rates and injected liquidity into the financial markets (Central Bank, 2016a, pp. 1–2; b, pp. IV–V; c, pp. 6–7).

Conclusion

Although there has been an increasing interest in understanding and explaining the agency of actors and policy change in the public policy literature *and* institutional change in institutional theory, current scholarship has tended to overlook the interplay between the resources and skills of the public sector policy and institutional entrepreneurs and their agential actions in *building* institutions. To bridge such agential actions and the institutionalization of policy ideas, we have explored the interplay between policy entrepreneurship and institutional entrepreneurship. Our exploratory case study-based research is a rare account of an individual agency combining the roles of policy and institutional entrepreneur, operating across *interrelated* problem, solution, and political streams (compare with Béland & Howlett, 2016a) and intersections of diverse policy ideas (compare with Campbell, 2004, ch. 4). Our findings do offer some generalizability. We argue that policy and institutional entrepreneurship processes are inextricably intertwined and fundamental to the institutionalization of new policy ideas. This is because the introduction and implementation of new policy solutions or reconfiguration of existing ones require both government agenda setting and institutionalization, which then inform inter-bureaucratic policy design and implementation. More specifically, we suggest the institutionalization of new policy ideas that resolve conflicting institutional logics and facilitate cooperation and/or collaboration in inter-bureaucratic policy formulation and implementation is most likely when an individual agent with the requisite resources and capabilities builds coalitions through combining the policy and institutional entrepreneur roles while undertaking discursive and powering strategies. Policy entrepreneurship sets the parameters of discussion on a policy problem and its solution in government agenda setting, while institutional entrepreneurship produces and develops common understandings of policy problems, their solutions and implementation tools through repeated discursive interactions and powering strategies. Furthermore, these processes are also fundamental to inter-bureaucratic agenda setting, as well as policy design.

Our exploratory case study focuses on government agenda setting and the institutionalization of macroprudential regulation for macro-financial stability in Turkey. It shows that the FSC, as the institutionalization venue, was a product of the policy entrepreneurship process wherein the governor translated the Central Bank macroprudential bureaucratic agenda to the government agenda. Due to the divergent institutional logics between the Central Bank and BRSA, this was followed by institutionalization of the macroprudential policy program through the institutional entrepreneurship process within this formal organizational setting. We showed that the cognitive and normative ideas and their various forms informed the thinking and actions of the BRSA. This was because the governor, as an institutional entrepreneur, equipped with effective discursive skills and formed a power coalition with the treasury minister whilst promoting the formation of shared definitions and understandings of the macro-financial risks and the need for macroprudential regulation to attain macro-financial stability. Drawing on multiple individual-level enabling conditions, including, for example, his high social status, multiple social positions that included various professional identities, and skills, the then-governor was utilizing diverse forms of cognitive and normative ideas. He also exploited various structural and institutional-level enabling conditions in his purposeful actions.

This article makes at least three important contributions to public policy and institutional theory and research. First, we combine elements of public policy and institutional theories to bring a fresh perspective to the linkages between policy entrepreneurship and institutional entrepreneurship in the public sector. Second, we clarify the overlooked actions of an individual policy and institutional entrepreneur, along with his resources and skills in the institutionalization process. Finally, we offer a more detailed and sophisticated account of institutional entrepreneurship and the institutionalization of policy ideas that required resolving inter-bureaucratic differences in institutional logics through the mobilization of various types and forms of ideas and their related discourses, coupled with powering strategies.

Much remains to be done. The main challenge ahead for future researchers will be to consider building further bridges within and between variants of institutional theory and public policy theory to explain and explore the institutionalization of policy ideas, and the linkages between policy and institutional entrepreneurship in other settings. There are six other research areas worth future consideration. First, there is a need for accuracy in empirical research determining the dynamic interplay between social position and social skills that enable actors undertake agential actions: why do some individuals who occupy high social status and social positions in an organization become policy and institutional entrepreneurs while others do not? Second, we need to learn much more about the institutionalization of policy and instrument mixes. As nation-states increasingly face complex policy challenges resulting from globalization processes, there is a growing need for national and systemic-level communication, coordination, cooperation, and/or collaboration among various actors in the formulation and implementation of new policy and instrument mixes. This is because the policy instruments available to a single policy actor are increasingly limited in addressing pressing policy sector problems in a world of complex interdependence across policy actors and sectors. Thus, when, how, and why do *policy design and implementation constituencies* emerge? Third, researchers should explore the interplay between state capacity and public sector entrepreneurship in the institutionalization of policy ideas. Most of the existing views of state capacity disregard the possibility of weak states acting strong by adopting proactive policy and institutional measures to address the emerging challenges they face. Whether weak states are more likely to act strong in a policy sector to achieve their aims when policy and institutional entrepreneurship is combined effectively is subject to further investigation (Bakir, 2009b). Fourth, future research may also focus on the overlooked linkages between various rationales motivating interorganizational collaboration from an institutional perspective (see Weible et al., 2018) and various forms of interorganizational coordination in the context of public sector entrepreneurship. Fifth, we need to recognize that there are also distinct individual agents operating in distinct ideational realms and streams. Further research may therefore offer insight into the similarities and differences in the resources, skills, and strategies of such agents. Researchers should further explore whether institutionalization is typical of the combination of policy and institutional entrepreneur roles. Finally, the *deinstitutionalization* of policy ideas and practices through the entrepreneurship processes deserves future exploration: when, how, and why does deinstitutionalization take place?

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