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On Failing Forward: Neoliberal Legality in the Mekong River Basin

Fleur Johns†

In the United States and around the world, collective inquiry is underway into “neoliberal legality,” or relations between legal and neoliberal thought and practice. Scholars are exploring what demands neoliberalism might make of law and lawyers and how legal norms, institutions, and practices might express or call into question neoliberal principles. This Article contributes to this inquiry by focusing on a characteristic of neoliberal experimentation in the development field: the tendency of neoliberal experiments to “fail forward.” In other words, when development projects fail to realize their transformative promises, this failure has not tended to impede later projects from proceeding on more or less unchanged policy premises. A modular understanding of the law, of a kind propagated in the influential writings of economist Milton Friedman and elsewhere, is critical to neoliberalism’s maintenance of forward momentum through such instances of apparent failure. This Article will support this claim by describing legal regimes surrounding two hydro-power development projects undertaken in the past decade in the Mekong River Basin (in the Lao People’s Democratic Republic) in Southeast Asia. In this setting, forward failure has also been maintained through the intertwining of neoliberal reform agendas and the politico-economic ambitions of a one-party state.

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† Professor of Law, UNSW Australia Faculty of Law. Fieldwork research for this Article was conducted collaboratively, with Professor Philip Hirsch and Ms. Natalia Scurrah of the Mekong Research Group in the School of Geosciences at the University of Sydney and Professors Ben Boer and Ben Saul of the University of Sydney Faculty of Law, between 2011 and 2013. I am deeply indebted to these collaborators for their collegiality, friendship, and the many things that I have learned from them. I am grateful, too, to Amy Cohen for comments on a prior draft of this paper, to participants in the workshop The Politics of Legality in a Neoliberal Age, held at UNSW Australia in August 2014, at which an earlier version of this Article was presented, and to the editors of the Cornell International Law Journal for excellent editorial work. This research was supported under the Australian Research Council’s Discovery Projects funding scheme (project DP110102978). The views expressed herein are, nevertheless, the author’s alone, not those of the Australian Research Council, nor necessarily those of the research collaborators mentioned above.

Introduction

In the United States and around the world, collective inquiry is underway into “neoliberal legality,” or relations between legal and neoliberal thought and practice.1 Scholars in a number of jurisdictions are exploring what demands neoliberalism might make and how legal norms, institutions, and practices might express or call into question neoliberal precepts.2 This Article contributes to the inquiry through attention to a characteristic of neoliberal experimentation in the development field: the tendency of neoliberal experiments to “fail forward” in that “their manifest inadequacies have . . . repeatedly animated further rounds of neoliberal invention.”3 In this context, the “inadequacies” in question are not financial or developmental shortfalls. Rather, the generative failures on which this Article focuses concern the non-realization of expectations that neoliberal policy measures might engender systematic transformation in the targeted society and promote widespread market participation. Neoliberal experiments “fail forward” when their transformative promise goes unrealized, without this dampening the ardor of that promise’s further pursuit.

This Article claims that a modular understanding of the law, of a kind propagated in the influential writings of economist Milton Friedman and elsewhere, has been critical for neoliberalism’s maintenance of forward...

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1. This term, and related terms, have been scattered throughout legal scholarly literature over the past decade or more, law and society literature and scholarship in international law especially. See, e.g., Boaventura de Sousa Santos & César Rodríguez-Garavito, Law and Globalization from Below: Towards a Cosmopolitan Legality 11, 31-33 (2005); Andrew Lang, World Trade Law After Neoliberalism: Reimagining the Global Economic Order (2011). Nevertheless, as David Singh Grewal and Jedediah Purdy highlight, with reference to “neoliberalism” in general, it “may be unfamiliar to some American legal audiences.” David Singh Grewal & Jedediah Purdy, Introduction: Law and Neoliberalism, 77 LAW & CONTEMP. PROBS. 1, 1 (2014). Scholarly embrace of the term, or interest in the phenomenon ‘neoliberalism’ as such is, however, far from universal. See, e.g., Bruce Caldwell, The Chicago School, Hayek, and Neoliberalism, in BUILDING CHICAGO ECONOMICS 301 (Robert Van Horn et al. eds., 2011) (reprimanding that “the term ‘neoliberalism’ is not a doctrine that any of the principal actors [of the Mont Pèlerin Society and the Chicago School of free market economics] promoted or defended”). For the meaning given the term neoliberalism here, see infra Part I.


3. JAMIE PECK, CONSTRUCTIONS OF NEOLIBERAL REASON 6 (2010).
momentum through repeated instances of failure. The stylized understanding of law that Friedman’s writings popularized has helped to ensure the durability of accompanying economic policies.4 Precisely as the law and development movement has been beset by cycles of “normative judgment,” so the way has been smoothed for neoliberal experimentation identified more with economics than with law and framed as dealing “with ‘what is,’ not with ‘what ought to be.’”5

This article will support this claim by describing the legal regimes surrounding two hydropower development projects undertaken in the past decade in the Mekong River Basin in the Lao People’s Democratic Republic (Lao PDR, or Laos) in Southeast Asia. It will analyze these regimes as instances of “actually existing neoliberalism,” at least in part.6 These development projects are of global concern, including to the United States; this concern was reflected, for example, in the U.S. State Department’s creation of the Lower Mekong Initiative in July 2009.7 In April 2014, a spokesperson for the U.S. State Department emphasized hydropower projects’ high stakes: “[T]oday . . . [i]ncreasing demands, rapid development, and climate change are putting greater pressure on the river—threatening the Mekong’s unique environment and the livelihoods of the people that depend on it.”8

Apart from its account of neoliberalism’s “forward failure” through the law, this article describes Lao hydropower development as a story of co-production between a neoliberal reform agenda and the politico-economic ambitions of a relatively repressive, one-party state.9 Though the rhetoric of neoliberal texts is sometimes floridly anti-state, it has been observed repeatedly that neoliberal practices may embolden rather than constrict state power, including authoritarian state power. This dynamic was famously captured in Andrew Gamble’s account of the rise of the “free

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economy and the strong state” in Margaret Thatcher’s Britain. In contrast to Thatcher’s Britain, however, in the Lao hydropower development setting, state power has not been augmented under the rubric of “law and order.” Instead, in Laos, an increase in state power has occurred through an apparent devolution or handover of public power—that is, its submission to mechanisms of audit and consultation—at least for a time. To understand this “anti-state” promotion of state power, Milton Friedman seems precisely the right thinker to engage. Friedman is noteworthy for his practice of combining, on the one hand, strong policy commitments in favor of competition and individual (consumer) empowerment, and on the other, relative indifference to the form of government responsible for delivering on those commitments. Famously, Friedman championed “positive economics,” which focused on generating reliable predictions about the effect of policy levers. This approach claimed to be “in principle independent of any particular ethical position or normative judgments.”

This Article’s first section briefly introduces the sense in which neoliberalism is used in this discussion. The second section familiarizes the reader with contemporary Lao hydropower development, focusing on two recent projects known as Nam Theun 2 and Xayaburi. The third section links the legal regimes surrounding these projects with the highly stylized program for law and lawyers that Milton Friedman laid out in his classic 1962 text, Capitalism and Freedom. It explains how the first of these projects, Nam Theun 2, could be construed as a failure when viewed through the lens of Friedman’s 1962 book. Nonetheless, this failure did not seem to impede a reiteration of Friedman’s model in the Xayaburi project, albeit with significant modifications. The fourth section highlights the modular conception of law operationalized in both the Nam Theun 2 and Xayaburi projects. It argues that this modularity has been vital to the durability of neoliberal legality, and more broadly, to the neoliberal development agenda. The Article’s concluding section explains some of the analysis’ implications for law and development scholarship and practice.

I. Neoliberalism

Neoliberalism has “many authors, many birthplaces,” and “has always been on the move”; accordingly, it is notoriously difficult to pin down. Textually, one can trace the term’s provenance to the late nineteenth century, when the French economist and economic historian Charles Gide, a

12. HALL, supra note 11, at 3–4.
13. MILTON FRIEDMAN, CAPITALISM AND FREEDOM 1–6 (1962) [hereinafter FRIEDMAN, CAPITALISM].
14. FRIEDMAN, POSITIVE ECONOMICS, supra note 4, at 4.
15. See generally FRIEDMAN, CAPITALISM, supra note 13.
16. PECK, supra note 3, at 39.
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champion of consumers’ and agricultural cooperatives, attacked the Italian economist Maffeo Pantaleoni and other “adepts of Neo-liberalism” for defending a “[h]edonistic world . . . in which free competition will reign absolutely; where all monopoly by right or of fact will be abolished; where every individual will be conversant with his true interests, and as well equipped as any one else to fight for them; [and] where everything will be carried on by genuinely free contract . . . .”

In the 1930s, neo-liberalism again surfaced amid the rise of John Maynard Keynes’s economic ideas; which remained ascendant until the mid-1970s. In that context, neo-liberalism was a pejorative term directed towards critics of state intervention in the economy through monetary and fiscal policy. For example, American political scientist Charles Merriam derided writer Walter Lippmann’s “neo-liberal” attempt to rewrite classical liberal doctrine against the New Deal’s policy developments by recourse to the work of Austrian economists, Ludwig von Mises and Friedrich Hayek. What we now know as neoliberalism emerged from a collective re-thinking of classical liberal economics from the late 1930s onward; a collective endeavor in which Mises and Hayek were both pivotal.

If neoliberalism developed as an argument for government promotion of competitive capitalism against “Keynesian policy, social pacts of war, and the growth of the federal administration through economic and social programs,” it also rejected classical economic liberalism’s adherence to the dogma of “truck and barter.” One element to which the “neo-” in neoliberalism relates was its dismissal of what Hayek termed the “wooden insistence of some liberals on some rules of thumb, above all the principles of laissez-faire.” One cannot reduce neoliberalism to a uniform code, or to a politics of “Right” or “Left.” Neoliberalism invites relentless experi-


18. GORDON FLETCHER, THE KEYNESIAN REVOLUTION AND ITS CRITICS: ISSUES OF THEORY AND POLICY FOR THE MONETARY PRODUCTION ECONOMY (1987); JOHN EDWARD KING, A HISTORY OF POST KEYNESIAN ECONOMICS SINCE 1936 238 (2002). The relationship of neo-liberalism to Keynesian thought and policy is, nevertheless, far from one of straightforward opposition. In responding to some economists critical of his work, Milton Friedman emphasized “what a great economist Keynes was and how much more [Friedman] sympathize[d] with his approach and aims than those of many of [Keynes’] followers.” Milton Friedman, Comments on the Critics, 80 J. POL. ECON. 906, 908 (1972).


22. FRIEDRICH A. HAYEK, THE ROAD TO SERFDOM 17 (1944) [hereinafter HAYEK, THE ROAD].
mentation.23 Even so, common among neoliberal thinkers is a commitment to maintaining a “competitive order,” and conditions favorable to competition, through the performance of “positive functions” on the part of the state.24 Extending this competitive imperative to all spheres of human existence, neoliberalism elaborates a “whole way of being and thinking.” Central to this “way of being” is the figure of the “entrepreneur” engaged in action on the basis of choice. Above all, it emphasizes entrepreneurship of the self, in circumstances where foresight is presumed impossible.25 According to Mises, neoliberalism’s goals are neither a realistic representation of the human condition, nor the pursuit of just or rational ends. Rather, neoliberalism seeks to produce a “science of means,” centered on the “categorical elements of choice and action.”26 It aims not at government of a particular size or stripe. Rather, its goal is government of a particular persuasion, namely, a government all actions of which may be justified as promoting and preserving “the catallaxy,” that is, “the spontaneous order of the market.”27 Crucially for purposes of this Article, international legal norms and institutions have long been seen as vital to the worldwide propagation of such a neoliberal “common sense.”28

By way of elucidating with some precision an account of neoliberal legality representative of this “thought collective,” this Article will later narrow its attention to one of its most prominent participants in the United States, Milton Friedman, and focus on just one of Friedman’s books (perhaps his best known): Capitalism and Freedom.29 Nonetheless, Friedman’s 1962 text is not, of course, a summation of all that is or might be termed neoliberal, nor is it definitive in its rendition of neoliberal legality. There are aspects of his account with which fellow neoliberals would probably have disagreed at the time of publication. Associations between the above-mentioned Austrian economists and the Chicago School of economics, with which Milton Friedman has long been identified, were far from straightforward; the Mont Pèlerin Society that brought them together
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remained, at all times, a “heterogeneous group.”30 Furthermore, there are dimensions of Friedman’s thought that would not find favor today among those who continue to evaluate all law and policy against a market-favorable benchmark.31 This 1962 text, and the neoliberalism it voiced, may also be non-representative of Friedman’s later work, in which his tolerance for regulation—even market-complementary regulation—seemed to narrow considerably.32 With these cautionary notes in mind, Friedman (posthumously) and this 1962 book may still be regarded as iconic of a neoliberal creed; Paul Krugman observed that Friedman has long served as the “ultimate avatar” of market fundamentalist economics. Ronald Chen and Jon Hanson have similarly called him “America’s, and perhaps the world’s, best-known free marketer.”33 In light of the modular view of law that he helped generate (as discussed in Part IV), it is striking that Friedman himself has become somewhat of an archetype or model of the neoliberal thinker and actor in the world.

In this context, let us now turn to a pair of development projects which evidence the “complex ‘cutting’ of market and nonmarket modes of governance” that has tended to take place under the rubric of neoliberalism.34 The focus of the next section will be the Nam Theun 2 hydropower project, financed in 2005 and operated since 2010 on a tributary of the Mekong River in Laos, and the far larger Lao project into which it “failed forward”: the Xayaburi Dam, under construction on the Mekong River mainstream, and scheduled to become operational in 2019.35


31. Robert Moffitt’s observation that some contemporary trends in the U.S. policy environment promoted by conservative voices, such as the imposition work requirements for welfare, “run fundamentally in opposition” to Friedman’s proposal for “negative taxation,” that is, a state payment to those whose taxable income is zero, the level of which is gradually ratcheted back as earned income rises. See, e.g., Robert A. Moffitt, The Negative Income Tax and the Evolution of U.S. Welfare Policy 32 (Nat’l Bureau of Econ. Research, Working Paper No. 9751, 2003), available at http://www.nber.org/papers/w9751.pdf; Friedman, Capitalism, supra note 13, at 192.


34. Peck, supra note 3, at 23.

II. Introducing Lao Hydropower: Nam Theun 2 and Xayaburi

The Mekong River Basin, cradling Southeast Asia’s longest river, passes through the People’s Republic of China, Myanmar (Burma), Laos, Thailand, Cambodia, and Vietnam. About two thirds of the approximately 65 million people who live in the Basin depend on the river’s aquatic resources for subsistence, and also use river water for drinking, transportation, and irrigation. The Mekong River Basin, including its watershed or catchment area, comprises ninety-seven percent of the land-locked territory of Laos, and approximately ninety-seven percent of the Lao population resides within the Basin. In 2012, that population comprised approximately 6.5 million people. In 2007-2008, about a quarter of the Lao population lived below the national poverty line and approximately thirty-seven percent fell below the international poverty line, living on less than $1.25 per day (measured at 2005 international prices adjusted for purchasing power parity). In 2011, approximately thirty percent of rural villages with road access and sixty-one percent of villages without road access in Laos did not have electricity.

Plans for large-scale hydropower development throughout the Mekong River Basin have been circulating since the 1950s. Even in the midst of war, Laos has shown longstanding enthusiasm for these and the prospect of the export income that they offer, through sale of electricity to neighboring Thailand and Vietnam. The first large hydropower dam in Laos, the Nam Ngum I Dam, was built in the late 1960s and commissioned between 1971 and 1984; a second, Theun Hinboun, was commissioned in 1998.

39. Id. at 21.
40. Id. at 29.
42. The war known in the West as the Vietnam War or the Second Indochina War, and in Southeast Asia as the American War, was fought in Vietnam, Cambodia, and Laos between 1955 and 1975. See generally Marilyn B. Young, The Vietnam Wars 1945-1990 (1991). On Lao political history prior to this, from nineteenth century French colonization onwards, see generally Søren Ivarsson, Creating Laos: The Making of a Lao Space Between Indochina and Siam, 1860-1945 (2008).
43. Middleton et al., supra note 41, at 23-27; Ian Porter & Jayasankar Shivakumar, Overview, in Doing a Dam Better: The Lao People’s Democratic Republic and the Story of Nam Theun 2 1, 7 (Ian Porter & Jayasankar Shivakumar eds., 2011).
Mekong River Basin dams originally envisaged in the mid-twentieth century to receive a governmental mandate: the dam so mandated was Nam Theun 2. Temporarily beset by liquidity problems and a regional slump in electricity demand amid the Asian financial crisis of the late 1990s, it would not be until 2005 that some twenty-seven financial institutions, led by the World Bank and the Asian Development Bank, would agree to finance the approximately U.S. $1.5 billion required for Nam Theun 2's development.

Located on the Nakai Plateau in south-central Laos, Nam Theun 2 is a 39-meter high, 436-meter long concrete gravity dam constructed on the Nam Theun, a tributary of the Mekong River; water released from it flows into another Mekong River tributary, the Xe Bang Fai. The project included development of a 1,070 MW power plant designed to export approximately 995 MW of electricity to Thailand, under a take-or-pay power purchase agreement with the state-owned Electricity Generating Authority of Thailand (EGAT), and to supply about 75 MW to the state-owned Electricité du Laos for Lao consumption. The special purpose vehicle created for the project, and the beneficiary of a twenty-five year concession from the Lao Government entitling it to build, own, and operate the project and then transfer it back to the state at the end of the concession term, is the Nam Theun 2 Power Company Limited (NTPC). NTPC is a limited liability company created under Lao law and is forty percent owned by EDF International (a wholly-owned subsidiary of the predominantly state-owned French company Electricité de France, EDF); twenty-five percent owned by Lao Holding State Enterprise (LHSE, a Lao state-owned company established in February 2005 to hold the Lao government's shares in NTPC); and thirty-five percent owned by Electricity Generating Public Company Limited (EGCO, a publicly listed company on the Thai Stock Exchange incorporated by EGAT and in which EGAT retains a shareholding of approximately twenty-five percent). The base project cost of U.S. $1.25 billion was funded twenty-eight percent by equity and seventy-two percent by debt, with an additional U.S. $200 million of contingent costs financed equally with equity and debt. Additional provision was made in the Concession Agreement for unanticipated project impacts and breaches of contractual requirements to be covered, at least in part, by letters of credit, performance bonds, and insurance. Debt financing for the project (including half the contingencies) was provided by a number of multilateral and bilateral agencies, export credit agencies, and a consortium of sixteen private commercial banks: nine international U.S. dollar lenders and seven Thai baht lenders. Debt guarantees against political risks, provided by the World Bank Group's International Development Association, the Multilateral Investment Guarantee Agency, and the Asian Development Bank, covered

approximately U.S. $186 million of the dollar denominated loans. Construction was carried out under a turn-key, price-capped engineering, procurement, and construction contract between NTPC and EDF.46

The Nam Theun 2 project was an exceedingly ambitious undertaking for all involved. Under James Wolfensohn’s leadership (from 1995 until 2005), the World Bank sought to make this project an emblematic exercise in “Doing a Dam Better.”47 Reflecting the impact of a “post-Washington consensus,” and the recommendations of the multi-agency World Commission on Dams, the World Bank’s Nam Theun 2 strategy was to try to “turn the resource curse on its head”: that is, ensure better population-wide outcomes from natural resources development than had been achieved in other instances.48 Such an experiment would, the World Bank hoped, answer at least some critics of the World Bank’s development paradigm, especially with regard to dam development.49 For its part, the Asian Development Bank sought, through the Nam Theun 2 project, to ramp up efforts to promote a regional energy market and enhance economic cooperation generally, within an area it had earlier designated the Greater Mekong Subregion.50

For its proponents, including the World Bank and the Asian Development Bank, Nam Theun 2 was also to be both a marker and a guarantor of Laos’s impending transition from a centrally planned command economy to a market economy.51 At the same time, consistent with a neoliberal thesis as to the “intimate connection” between economic freedom (understood as freedom from market-adverse state intervention) and political freedom (understood as freedom from physical coercion), it was speculated that the


project would help “support reformers” and foster “an opening up of dialogue” within Laos.52

The prospect of Nam Theun 2 fostering such “dialogue” was not something that the project’s multilateral lenders were prepared to leave to chance. Rather, they buttressed this prospect with an elaborate supervisory and consultative architecture specifically tailored to the project. International NGOs, CARE, and the World Conservation Union (IUCN) were initially engaged to carry out a consultation process with those directly affected by the project—primarily, those residing in villages earmarked for resettlement. Later, after criticism of that initial phase, a new consultation methodology was developed by a “Lao-speaking Thai social scientist” based on segmentation of participants into “culturally and ethnically compatible groups,” and a commitment to “talk[ing] less, listen[ing] more.”53 Alongside this, two independent expert panels were mandated by the project’s Concession Agreement to monitor environmental and social impacts in one case, and dam safety in the other, throughout the life of the project, both of which report to the Lao government.54 The World Bank put in place an international advisory group to review the project.55 This was in addition to the monitoring and advisory roles usually assigned in connection with any cross-border project financing: independent engineers, technical, financial, environmental, and legal advisors.56

Separate financing was made available in connection with the Nam Theun 2 project for the strengthening of public institutions responsible for revenue and expenditure management in Laos.57 Specific, directive arrangements were also put in place for project revenues, requiring their sequestration in a separately-audited treasury account and their application, exclusively, to poverty reduction efforts.58 During the project’s planning, negotiation, and development, Laos also underwent an extensive legal reform process with the close involvement of foreign consultants, funded under an array of bilateral and multilateral aid facilities. A range of Lao laws and decrees concerned with public administration, investment,

52. Id. at 7, 48. The framing of this relationship as an “intimate connection” is Friedman’s, FRIEDMAN, CAPITALISM, supra note 13, at 7–8.
property, natural resources, and environmental protection can be traced, directly or indirectly, to the Nam Theun 2 project.\textsuperscript{59} At the time of its financial closing in 2005, Nam Theun 2 seemed poised to ignite a wide-ranging process of state and non-state transformation, as Michael Goldman suggested in 2001:

Teaming up with international mega-fauna and biodiversity conservationists, such as the World Conservation Union (IUCN), Worldwide Fund for Nature (WWF), and Wildlife Conservation Society (WCS), the World Bank and its partners are linking hydro-electric dam and transmission financing to an ambitious string of conservation and protected areas, mega-fauna running corridors, watershed conservation sites, eco-tourism projects, biodiversity research and development sites, and indigenous peoples’ extractive reserves. Roads, markets, experimental farms, Lao-language schools, health clinics, and workshops in agronomy, resource management, family hygiene, and birth control, comprise the proliferating list of social projects that are part of the package.\textsuperscript{60}

This might all sound rather more like “liberal legalism” than neoliberalism, but the broad rationale for these arrangements remained, for the most part, an economic one—specifically a competitive capitalist, market-oriented one—even in the context of an otherwise centrally planned economy.\textsuperscript{61} These measures were not established with the primary goals of securing individual or collective rights or enlarging political freedoms, although such aims may well have been held among those involved in the program. Rather, these measures were typically cast, by champions of Nam Theun 2, as promoting the Lao state’s “advancement” towards fuller participation in regional and global markets. Improved credentials surrounding “transparency, management, and accountability of economic resources” were justified as likely to boost Laos’s capacity to “unlock[ ] the potential” of its unexploited riparian resources in the medium- to long-term (the region being one with “the lowest percentage of exploited hydropower of any region in the world”). The “improvements” outlined above were designed, on the whole, to equip Laos to compete more successfully in


\textsuperscript{60}. Goldman, supra note 59, at 506.

\textsuperscript{61}. The term “liberal legalism” is borrowed from Amy Cohen and William Simon, who use it to “approximate” a “cluster of ideas” and institutional ideal types associated with rights-based political liberalism. Amy J. Cohen, Governance Legalism: Hayek and Sabel on Reason and Rules, Organization and Law, 2010 Wis. L. Rev. 358, 360 n. 10 (2010); William H. Simon, Solving Problems vs. Claiming Rights: The Pragmatist Challenge to Liberal Legalism, 46 Wm. & Mary L. Rev. 127, 127 (2004). Wendy Brown sharpens political liberalism, and distinguishes it from economic liberalism (whether classical or neoliberal) as follows: “In the history of political thought, while individual liberty remains a touchstone, liberalism signifies an order in which the state exists to secure the freedom of individuals on a formally egalitarian basis. A liberal political order may harbor either liberal or Keynesian economic policies.” Porter & Shivakumar, supra note 43, at 3.
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global capital markets and to make fuller use of the "strategic advantage" it was understood to enjoy in the regional energy market, as a producer of relatively low-cost electricity.62

Insofar as its own goals were concerned, the Nam Theun 2 project posed considerable challenges for the Government of Laos, steered by the only legal political party in the country: the Lao People's Revolutionary Party. It sought to enter global capital markets with no prior history of commercial indebtedness and a limited record of effecting public-private partnerships (Nam Theun 2 would be its third such partnership and, at the time, its largest).63 It did so at a time when it enjoyed potential eligibility for Heavily Indebted Poor Country debt relief—hardly an incentive to prospective financiers.64 Its immediate aim was to finance a hydropower development plan that would cost an amount equal to more than half its 2005 gross domestic product (GDP).65 This it saw as crucial to the realization of its stated “vision for . . . achiev[ing] middle-income status by 2020.”66 To achieve this, the Lao Government was said to have recognized the need to “transform . . . international perceptions and confidence in its efforts by strengthening its track record.”67 Its reported goal was to do so, however, without submitting to "overly intrusive conditions."68

From a financial perspective, the Nam Theun 2 project has been highly successful. Its economics have proven unusually robust, yielding excellent returns for investors.69 This has undoubtedly been a factor in Laos’ impressive GDP growth of late: the country has recorded annual GDP growth averaging seven percent between 1999 and 2012.70 In terms of its ability to deliver on a neoliberal reform agenda in Laos or the Mekong River Basin, however, this project has been a failure, as will be explained in Part III below.

63. Id. at 161.
68. Id. at 42.
If Nam Theun 2 failed, though, it “failed forward” into a successor—another quite different, hybrid product of state and non-state reform agendas—the Xayaburi project. Like a precocious, style-conscious progeny of serious-minded parents, Xayaburi is far more expensive, far more streamlined in legal and financial structure, and far more audaciously located (given predicted downstream impacts) on the Mekong River mainstream.\footnote{Claudia Kuenzer et al., Understanding the Impact of Hydropower Developments in the Context of Upstream–Downstream Relations in the Mekong River Basin, 8 SUSTAINABILITY SCI. 565, 571–72 (2013).}

The World Bank and the Asian Development Bank—as well as the wide-ranging reform agenda that accompanied Nam Theun 2—are notably absent from the Xayaburi project’s financing; debt financing for the project has been raised from five Thai commercial banks (one of them state-owned) and the Export Import Bank of Thailand.\footnote{Natee Synergy, Xayaburi Hydropower Project, PTT (Feb. 8, 2014), http://ptt.listedcompany.com/misc/PRESN/20140208-PTT-analystSiteVisit.pdf [hereinafter PTT Analysts Report].} The economic rationale for this project rests again with the rising appetites of Thai energy consumers, associated with industrialization and urbanization, as was the case in Nam Theun 2.\footnote{Darryl S. Jarvis, Institutional Processes and Regulatory Risk: A Case Study of the Thai Energy Sector, 4 REG. & GOVERNANCE, 175, 181 (2010).}

Yet Xayaburi represents a very different incarnation of the neoliberal experiment to its forebear, Nam Theun 2.

Located in northern Laos, Xayaburi is designed as a 33-meter high, 820-meter long concrete gravity dam located on the mainstream of the Mekong River. It will be the first hydroelectric dam to be constructed on the Mekong River mainstream outside of China.\footnote{Ch. Karnchang Pub. Company Limited, Feasibility Study: Xayaburi Hydroelectric Power Project, Lao PDR (2010).} The project includes development of a 1,285 MW power plant that will export approximately 1,225 MW of electricity to Thailand, under a take-or-pay power purchase agreement with the state-owned Electricity Generating Authority of Thailand (EGAT), and supply about 60 MW to the state-owned Electricité du Laos (EDL) for Lao consumption.\footnote{See id.} The special purpose vehicle created for the project, and the beneficiary of twenty-nine year concession from the Lao Government entitling it to build, own, and operate the project and then transfer it back to the state at the end of the concession term, is the Xayaburi Power Company Limited (XPC).\footnote{Pisit Changplayngam & Kettiya Jittapong, Work Restarts at Xayaburi Dam in Laos—Project Leader, REUTERS (Aug. 16, 2014), http://www.reuters.com/article/2012/08/16/entertainment-us-thailand-laos-xayaburi-idUSBRE87F09H20120816. Note, however, that the Concession Agreement term is described as thirty years in the Feasibility Study cited id. at I-1, and in the following document: Mekong River Commission Secretariat, Prior Consultation Project Review Report, Mekong River Commission 5, 10 (2011), http://www.mrcmekong.org/assets/Publications/Reports/PC-Proj-Review-Report-Xaiyaburi-24-3-11.pdf.} XPC is a limited liability company created under Lao law and is fifty percent owned by Ch. Karnchang Public Company Limited (CKPCL, a general construction and infrastructure development company publicly listed on the Thai Stock Exchange);
twenty-five percent owned by Natee Synergy (an investment holding company that is a wholly-owned subsidiary of Global Power Synergy Company Limited, itself a wholly owned subsidiary of PTT Public Company Limited, an outcome of the privatization of the Petroleum Authority of Thailand, the latter now listed on the Thai Stock Exchange, but in which the Thai Government retains the largest shareholding); thirteen percent owned by Electricity Generating Public Company Limited (EGCO, a publicly listed company on the Thai Stock Exchange incorporated by EGAT and in which EGAT retains a shareholding of approximately twenty-five percent); seven percent owned by Bangkok Expressway (a company listed on the Thai Stock Exchange); and five percent owned by P.T. Construction and Irrigation Company Limited (a Lao-based company).77 The project cost of about U.S. $3.8 billion is to be funded with approximately seventy-one percent debt and twenty-nine percent equity.78 Debt financing for the project is comprised of approximately 88 billion Thai baht (about U.S. $2.7 billion) in syndicated loans provided by five Thai private commercial banks—Bangkok Bank, Kasikorn Bank, Krung Thai Bank, Siam Commercial Bank, and TISCO Bank—and a loan guarantee from the Export Import Bank of Thailand.79 As in Nam Theun 2, the Concession Agreement makes provision for unanticipated project impacts and breaches of contractual requirements to be covered, at least in part, by letters of credit, performance bonds, and insurance.80 Construction is being carried out under a turn-key, price-capped engineering, procurement, and construction contract between XPC and Ch. Karnchang (Lao) Company Limited, a subsidiary of CKPCL.81

Given its location on the Mekong River mainstream, Xayaburi has been subject to a process of inter-governmental consultation pursuant to the 1995 Mekong Agreement between Cambodia, Laos, Thailand, and Vietnam.82 Article 1 of the Mekong Agreement requires parties to “cooperate

in all fields of sustainable development, utilization, management and conservation of the water and related resources of the Mekong River Basin including in relation to hydropower.\textsuperscript{83} Article 5 of the Mekong Agreement requires parties to ensure that “notification” is provided and “prior consultation” conducted in relation to any intra-basin use of water (within the Joint Committee established under the Agreement, with representation from each participating riparian state).\textsuperscript{84} Articles 25 and 26 of the Agreement authorize the promulgation of procedures in this regard.\textsuperscript{85} In November 2003, the Mekong River Commission (the MRC, established under the Mekong Agreement) approved Procedures for Notification, Prior Consultation, and Agreement (PNPCA) among the parties to the Agreement in respect of utilization and development of the Mekong River mainstream.\textsuperscript{86} In August 2005, the MRC adopted guidelines to the implementation of the PNPCA.\textsuperscript{87} The PNPCA process was put into operation for the first time, in September 2010, when the Government of Lao PDR gave formal notice to the MRC Joint Committee of its proposal to proceed with the Xayaburi project’s development. In 2014, the Australian Government—a provider of funding to assist implementation of the PNPCA—summarized the observations of analysts from whom it had commissioned a review of this process as follows:

The formal process for the Xayaburi PNPCA has involved submission of documents, working group meetings, national consultations, deliberations by the MRC Joint Committee and finally a decision by the MRC Council . . . The total process has been more complicated and has also included bilateral discussions, the launching and subsequent debate catalyzed by the mainstream dams Strategic Environmental Assessment, extensive lobbying by developers and concerned scientists, the Save the Mekong Campaign, film-making and media reporting.\textsuperscript{88}


83. Mekong Agreement, supra note 82, at 3.  
84. Id. at 3–4.  
85. Id. at 8.  
87. PNPCA, supra note 86.  
88. Letter from Julia Niblett, Assistant Sec’y, Mekong, Philippines, and Burma Dev. Branch of the Austl. Gov’t Dept of Foreign Affairs and Trade, to Pianporn Deetes, Thailand Campaign Coordinator, Int’l Rivers, (April 1, 2014), available at http://www.internationalrivers.org/files/attached-files/responseeausaid.pdf. The MRC Council is the main decision-making body of the MRC and is composed, under Article 15 of the Mekong Agreement, of a representative from each participating riparian state at ministerial or cabinet level. Mekong Agreement, supra note 82. The Strategic Environmental Assessment is a study that was commissioned by the MRC in 2010 to assess the cumulative environmental impacts, costs, and benefits of hydropower development proposed for the Mekong River mainstream: ICEM (International Centre for Environmental Man-
The consultation process conducted as part of PNPCA implementation, and monitoring architecture otherwise installed around Xayaburi, both differ very markedly from their Nam Theun 2 corollaries. Most notably, consultations were convened in Cambodia, Thailand, and Vietnam regarding Xayaburi, but no public consultation at all was conducted within Laos in relation to this project.\textsuperscript{89} Negotiation and dialogue appears to have been conducted almost exclusively at the government-to-government level, with mediation and some intervention by the MRC.\textsuperscript{90} Efforts made in Nam Theun 2 to release project-related information to the Lao public, in some instances in the Lao language, have not been replicated in Xayaburi.\textsuperscript{91} Expert input on the Xayaburi project was solicited via a group of fisheries and sediment experts, assembled to support the PNPCA Task Group of the MRC Secretariat.\textsuperscript{92} A Thai consulting firm, TEAM Consulting Engineering and Management Company Limited, conducted environmental and social impact analyses for the Lao Government, and an international engineering consulting firm, Pöyry, delivered a further report to the Lao Government on the project's responsiveness to concerns raised by the MRC and other MRC countries.\textsuperscript{93} However, no provision was made for independent review of the Xayaburi project's performance, and its social and environmental impacts on an ongoing basis. Likewise, there seems to have been no agreement to specify any particular handling of project revenues (beyond the direction of funds through certain accounts earmarked for debt service pursuant to financing agreements), nor do funds appear to have been made available for public sector institutional development or law reform in connection with the project. One official estimated that compensation for resettled communities, plus local government development funding to be provided in connection with the Xayaburi project, would be on the order of U.S. $48 million.\textsuperscript{94} An annex to the Concession Agreement for Xayaburi reportedly includes requirements as to minimum income levels that resettled communities must achieve within five years of resettlement, by reference to a baseline income level determined before the project's commencement.\textsuperscript{95} Compliance with these requirements is, however, to be monitored by the Lao Government itself.

\begin{footnotesize}
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\item \textsuperscript{89} Niblett, supra note 88.
\item \textsuperscript{90} Id.
\item \textsuperscript{91} Id.
\item \textsuperscript{92} See Rieu-Clarke, supra note 86, at 152.
\item \textsuperscript{93} See id. at 152–54.
\item \textsuperscript{94} Interview with senior Lao Government official (Nov. 22, 2012) (on file with author).
\item \textsuperscript{95} Interview with Xaypaseuth Phomsoupha, Director-General, Department of Energy Business, Ministry of Energy and Mines, Laos (Nov. 20, 2012) (on file with author).
\end{itemize}
\end{footnotesize}
not through independent overseers of the kind authorized in relation to Nam Theun 2.96

In interviews conducted in 2012, Lao Government officials made clear that they regarded the wide-ranging reformist interventions and external oversight of Nam Theun 2 as no longer appropriate to Laos’s situation, in light of its now proven track record of creditworthiness. Xaypaseuth Phomsoupha, Director-General of the Department of Energy Business in the Ministry of Energy and Mines in Laos, referred to the Nam Theun 2 Concession Agreement as a “second generation” agreement, the scope of which had been expanded well beyond that agreed in the Theun Hinboun project, to meet the “requirement[s] of international private funders.” “After the success of Nam Theun 2,” the official continued, “we move[d] to the third generation [that is, the Xayaburi Concession Agreement]. . . . The concession of Nam Theun 2 is too complicated and it is very difficult, even for well trained lawyers to understand. We have to make it easy.”97 Another senior Lao Government representative lamented the time and expense associated with consultation and negotiation. Reflecting on the experience of consulting with neighboring countries regarding the Xayaburi project since 2010, this representative remarked:

For me what we want to see from this experience of going through it for the last two or three years, I like to see agreement that I think is practical and to be implemented, not an agreement so then . . . we then have to spend a lot of money on the lawyers.98

As much as it embodies a relatively pared-back, non-consultative model of project development, Xayaburi seems also to signal a new expansion and intensification of hydropower in Laos. According to the Director-General of the Energy Business Department of the Lao Government, as of January 2012, it was one of ten hydropower projects under construction in Laos with private financing.99 Others claim that some sixty dams—indeed, up to seventy dams—are being planned in Laos, including nine on the Mekong mainstream.100 The Mekong River Commission Secretariat contemplates seventy-one tributary hydropower schemes operating in the Mekong River Basin by 2030 and reports that eleven dams have been pro-

96. See id. For a limited insight into community resettlement plans being implemented in connection with Xayaburi, see Pöyry, Xayaburi Hydropower Project Progress Update, Dec. 2013, available at http://laoenergy.la/admin/upload_free/cb3baf7f95f58d1d767476c8252b287d510489d896530d59f2132b60061690d8a0ca7a48c9c16ab 901fc1da8a9c74611.Xayaburi%20Status%20Dec%202013.pdf.
posed for the Lower Mekong River mainstream, including six dams in Lao territory.101

III. Friedman’s Neoliberal Legality in Two Lao Experiments

Nam Theun 2 and Xayaburi were cast above as neoliberal experiments—a move quite common among critics of development practice in Laos. Geographer Keith Barney has argued, for example, that “a form of ‘frontier-neoliberalism’” is under assembly in Laos.102 It is important to recognize, nonetheless, that the story of the two Lao dam projects described above is partially a story of resistance to neoliberal policy thinking. EGAT, the primary purchaser of electricity from both these projects, was earmarked for privatization in the late 1980s, pursuant to structural adjustment loan conditions attached to IMF and World Bank financing.103 EGAT’s privatization, however, was resisted by a coalition of labor unions, consumer groups, Thai nationalists, and academics, compounding the effect of EGAT’s own longstanding political patronage.104 Legislative provision made in the late 1990s for public-private partnerships in the Thai energy sector represented a compromise on this front, made in light of EGAT’s precarious debt position. But EGAT has retained significant shareholdings in all the partnerships so authorized, including EGCO, effectively maintaining its monopoly position.105 Laos, too, can be seen as having held out against neoliberal imperatives, to some extent. Despite having adopted a range of reforms since the late 1980s consistent with movement to a market economy, Laos has largely withstood repeated demands from the IMF that it tighten its fiscal policy by, among other things, rationalizing public expenditure.106

It is possible, nonetheless, to assimilate both the Nam Theun 2 and Xayaburi projects to a paradigm of neoliberal legality advanced in Milton Friedman’s 1962 book, Capitalism and Freedom.107 Friedman’s text is by

101. Mekong River Commission Secretariat, supra note 76, at 5.
105. See Pronchai Wisuttisak, Regulation and Competition Issues in Thai Electricity Sector, 44 ENERGY POL’Y 185, 186 (2012).
107. See FRIEDMAN, CAPITALISM, supra note 13, at 15.
no means the most sophisticated or developed example of neoliberal thinking about law. Friedrich Hayek, in particular, put forward a far fuller and more nuanced account of law as an “instrument of production” in a market economy, indicative of his university education in law.108 It is, nevertheless, a claim of this Article that the very schematism of Friedman’s characterization of law—what I will later characterize as its modularity—accounts, in part, for its resilience. In Friedman’s account, law is to be both the unerring guarantor of baseline conditions for the market to operate, and a mechanism to ensure the “wide[r] dispers[al]” of economic power in the interests of competitive freedom.109 A push-me-pull-you set of impulses towards law more or less along these lines has played out in the two Lao projects described above, albeit quite differently in each case. This section will now focus on these ambivalent legal dynamics, beginning with an overview of Friedman’s model of legality.

Friedman’s model of legality is just that—a model—as Part IV will explore further.110 It is, accordingly, possible to enumerate its features quite schematically. First, Friedman equated law primarily with government. Indeed, only in the later chapters of the book Capitalism and Freedom does Friedman favor the terms law, legislation, or regulation at all; early chapters refer solely to “institutional arrangements” and “government.” In Friedman’s account, governments are the primary institutions that constitute and deploy lawful authority; virtually everything else is choice. Law in Friedman’s work is thus, first and foremost, public law, his prioritization of contracts notwithstanding. The exposition of private law’s making and operation in Capitalism and Freedom is extremely scant. Private law entails only the exercise of freedom within the “rules of the

108. See HAYEK, THE ROAD, supra note 22, at 55 (“[F]ormal rules could almost be described as a kind of instrument of production, helping people to predict the behavior of those with whom they must collaborate, rather than as efforts towards the satisfaction of particular needs”). See generally FRIEDRICH A. HAYEK, I LAW, LEGISLATION, AND LIBERTY: RULES AND ORDER (1973). On Hayek’s education at the University of Vienna in law and political science, see ALAN O. EBENSTEIN, FRIEDRICH HAYEK: A BIOGRAPHY 28, 38 (2003). Ebenstein remarks that “[h]is focus in time became rules, or law” (at 99).

109. See FRIEDMAN, CAPITALISM, supra note 13, at 15-16.

110. Model, n. and adj. OXFORD ENGLISH DICTIONARY (2015), available at http://www.oed.com/ (last visited Mar. 8, 2015): “A representation of structure, and related senses . . . A three-dimensional representation, esp. on a small scale, of a person or thing or of a projected or existing structure . . . An object of imitation.” Writing of economic modeling, Allan Gibbard and Hal R. Varian maintained that “a model is involved whenever there is economic reasoning from exactly specified premises . . . . The story [told by a model] may be vague . . . [but] [t]he structure itself must be specified with the precision needed for mathematical reasoning . . . All economic models have this, at least, in common: a model poses a question of the form, ‘What would happen if such and such were the case?’ in such a way that it can be answered deductively.” Allan Gibbard and Hal R. Varian, Economic Models, 75 J. OF PHILOS. 664, 666-68 (1978). See generally Mary S. Morgan & Margaret Morrison, Introduction, in MODELS AS MEDIATORS: PERSPECTIVES ON NATURAL AND SOCIAL SCIENCE 1, 10 (Mary S. Morgan and Margaret Morrison eds., 1999); Mary S. Morgan & Margaret Morrison, Models as Mediating Instruments, in MODELS AS MEDIATORS: PERSPECTIVES ON NATURAL AND SOCIAL SCIENCE 10 (Mary S. Morgan and Margaret Morrison eds., 1999).
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game.” Friedman’s book takes no account of Robert Hale’s early-to-mid-
20th century studies of private coercion in law, or other contemporaneous
developments in private law theory. Similarly, no account is taken of
private law-making in modes in which choice is subordinated to contrac-
tual boilerplate, standard forms, or the replication of “financeable” deal
structures.

The work of law, for Friedman, is the production and consumption of
a background level of conformity, in reliance on which people can enter
into economic arrangements of their own choosing, with the latter viewed
solely through an economic lens. “It is desirable . . . that we use govern-
ment to provide a general legal and economic framework that will enable
individuals to produce growth in the economy, if that is in accord with
their values,” Friedman observes. Friedman’s concern with law extends,
in this mode, to the “maintenance of law and order,” which Friedman
equates to the prevention of “physical coercion of one individual by
another.” It also extends well beyond that—to laws requiring and mak-
ing some provision for children to receive a minimum amount of general
schooling, for instance, which “add[ ] to the economic value of the stu-
dent.” As for powers of non-physical coercion, or coercion by state
agencies or corporate intermediaries, Friedman would have us address
these only to the extent that they correlate with market monopoly,
“whether enterprise monopoly or labor monopoly,” both of which should
be subject to antitrust laws in his view. Even then, some monopolies are
tolerable for Friedman, with “private monopoly . . . be[ing] the least of the[se] evils” because of its “shortrun effects.” So long as government
delivers effectively on its law and order promise (so understood) Friedman
is happy to leave issues of state-sponsored or privately held concentrations
of power to the hand of history, his “fundamental[ ] fearful[ness] of con-

111. See Friedman, Capitalism, supra note 13, at 15.
112. See Robert L. Hale, Coercion and Distribution in a Supposedly Non-coercive State,
38 Pol. Sci. Q. 470, 474 (1923); Robert L. Hale, Bargaining, Duress, and Economic Liberty,
43 Colum. L. Rev. 603, 626 (1943).
[hereinafter Non-Legality in International Law].
114. See Friedman, Capitalism, supra note 13, at 38.
115. Id. at 14. Friedman also included the following among the government functions
that he regarded as legitimate: “defin[ing] property rights, serv[ing] as a means whereby
we could modify property rights and other rules of the economic game, adjudicat[ing]
disputes about the interpretation of the rules, enforc[ing] contracts, promot[ing]
competition, provid[ing] a monetary framework, engag[ing] in activities to counter technical
monopolies and to overcome neighborhood effects widely regarded as sufficiently
important to justify government intervention, and . . . supplement[ing] private charity
and the private family in protecting the irresponsible, whether madman or child.” Id. at
34.
116. Id. at 88; see id. at 85–107.
117. Id. at 132.
118. Id. at 28–29. On the neoliberal reformulation of classical liberal doctrine with
respect to monopoly, see Rob Van Horn, Reinventing Monopoly and the Role of Corpora-
tions, in The Road from Mont Pelerin, supra note 20, at 204.
Musing on how to effect "radical change in the structure of [non-democratic] society," Friedman suggests that one must rely on efforts of "persuasion" financed by "a few wealthy individuals" acting in "the role of the patron," as well as on the "almost inevitable" power-dispersing effects of the market.120

In the midst of power-dispersal, Friedman sees law playing a second key role: in the mode of an "umpire to interpret and enforce the rules decided on," including through the "mediation [of] differences among us on the meaning of the rules."121 This sense of law is, however, even less developed than Friedman's account of law as government. At times it is blurry and diffuse, with legal norms and institutions comprising part of a "general customary and legal framework" designed to enable "decision-makers . . . [to] take into account the cumulative consequences of . . . policy as a whole."122 At other times, it is almost caricatured in the perfect coherence and uniformity of its arbitral operation. Friedman acknowledges that legal rights are "complex social creations rather than self-evident propositions."123 Nonetheless, he expresses naïve horror at the prospect that "[c]ontracts entered into in good faith and with full knowledge on the part of both parties to them [might be] declared invalid for the benefit of one of the parties!"124 Yet, despite its near-perfection in Friedman's account, the role of law as a mediation machine is still secondary; primacy is given to the role of the market in allowing people to circumvent injustice.125 Where law falls short in mediating conflict, abundance comes to the rescue. In Friedman's telling, there are almost always multiple, competing routes available to detour around discrimination, oppression, or exploitation. Consumers are to be protected by the presence of other sellers, sellers by the presence of other consumers, employees by the presence of other employers, and so on.126

In Laos, the Nam Theun 2 project gave life to these two rather mismatched versions of law: first, in its creation of a tailored legal environment around the project through purpose-built legislative initiatives, regulatory exemptions, and government undertakings; and second, in the architecture of monitoring and mediation it installed.

The investment that NTPC shareholders committed to make in the Nam Theun 2 project was of such duration (twenty-five years) as is commonly understood in finance markets to "require" contractual assurances and other guarantees of legal stability.127 Consistent with this expecta-
tion—and with Friedman’s vision of law affording a “framework” conducive to the maintenance of “voluntary cooperation” among actors engaged in economic activity—128—the Nam Theun 2 project’s Lao-law-governed Concession Agreement included a contractual undertaking by the Lao Government that it would not amend Lao law or regulation in such a way as to cause project costs to increase or project revenues to decrease by amounts in excess of certain thresholds. Should the Lao Government introduce any such change in law, it may exempt the company from its scope or will be liable to compensate NTPC. The Concession Agreement has also obligated the Lao Government to procure for the benefit of NTPC and its associates all Lao regulatory approvals required for the project, and to maintain them without amendment or revocation except in accordance with their terms.129

In the Agreement, NTPC was afforded water rights, rights of access to public roads, rights of import and export, and rights of access to use and possession of land.130 The company and certain of its contractors were granted exemptions from a range of Lao taxes and duties, but the company was still required to pay a lump sum upon grant of the concession, a profit tax, and a resource usage charge in accordance with the Concession Agreement.131 The “umpire” (in Friedman’s terms) for all these contractual undertakings was located outside the Lao court system; disputes between the Lao Government and NTPC arising under the Concession Agreement are referable to a specially convened “Consultation and Dispute Committee,” an “Expert,” or an arbitral panel assembled under UNCITRAL Arbitration Rules with the Singapore International Arbitration Centre Chairman wielding appointment authority.132 These covenants were reinforced by the Multilateral Investment Guarantee Agency’s, the World Bank’s, and the Asian Development Bank’s provision of political risk coverage to lenders to the project in respect of any breach by the Lao Government of its contractual obligations leading to an arbitral award against the Government which

130. Concession Agreement Summary, supra note 129, at 7–9, 12.
131. Id. at 10.
132. Id. at 14, 15, 20.

the covered lenders could not enforce within a specified period.\footnote{133}{MULTILATERAL INVESTMENT GUARANTEE AGENCY, supra note 46; Cruz-Del Rosario, supra note 50, at 10.}

The Power Purchase Agreement between EGAT and the NTPC, governed by English law, is similarly designed to encapsule the project in a framework of stability and privately arbitrated dispute resolution. It obligated both parties to construct their respective facilities by specified dates with a view to the project becoming commercially operational in a timely manner.\footnote{134}{Nam Theun 2 Hydroelectric Project: The EGAT Power Purchase Agreement: Summary for Public Disclosure, at 3, available at http://www.namtheun2.com/documents/project-documents/118.html [hereinafter Power Purchase Agreement Summary].} Thereafter, NTPC agreed to sell its power exclusively to EGAT (or EDL, under its counterpart agreement, or any wholesale Thai electricity market into which EGAT may decide to integrate NTPC) in exchange for which EGAT agreed to pay a tariff calculated in accordance with a predetermined formula for the twenty-five year term of the Agreement, on a take-or-pay basis. NTPC’s obligations to EGAT under the power purchase agreement were secured by a number of Thai bank guarantees or cash deposits, and a mortgage over NTPC’s physical assets.\footnote{135}{Id. at 9.} In a similar fashion to the Concession Agreement, the power purchase agreement provided for dispute resolution by a standing committee of party representatives, a panel of three experts, or through arbitration in Singapore under UNCTRAL Arbitration Rules.\footnote{136}{Id. at 14.} The Government of Laos also made certain undertakings to EGAT directly in a related agreement.\footnote{137}{Economic Consulting Associates, The Potential of Regional Power Sector Integration: Nam Theun 2, Generation Case Study (July 2009), available at http://www.esmap.org/sites/esmap.org/files/BN004-10_REISP-CD_Nam%20Theun%202-Generation.pdf.} Alongside this, Thailand and Laos entered into a Memorandum of Understanding regarding the provision of future electricity supplies to Thailand, as a successor to earlier memoranda on this theme.\footnote{138}{Cruz-Del Rosario, supra note 50, at 9; Economic Consulting Associates, supra note 137, at 2.}

In these ways, and by virtue of the surrounding law reform measures to which reference was made in Part II, a specially designed jurisdictional field was demarcated around the Nam Theun 2 project, the legal features of which do not correspond to the situation of any other company, individual, or agency in Lao PDR. This is a hybrid creation of Lao public law (a range of legislative instruments and decrees) and private law (contract) that, in both its public and private law dimensions, leans on or borrows from international legal regimes of various kinds (including multilateral financial institutions’ political risk guarantees, UNCTRAL Arbitration Rules, and bilateral memoranda of understanding). By virtue of an annex to the Concession Agreement specifying social impact mitigation, resettlement terms, and resettlement compensation that NTPC would provide to residents in resettled villages, those residents were also brought within the scope of the project’s distinct jurisdiction and the life conditions author-
ized or inaugurated thereby.\textsuperscript{139} The professional lives, social status, and material conditions of those working in institutions established in connection with the Nam Theun 2 project have also been reshaped through that association.\textsuperscript{140}

Practices surrounding the Nam Theun 2 project (though not directly proceeding from it) may also evidence what Peck refers to as "place-specific assaults on institutional and spatial strongholds of . . . social collectivism" of a kind that Friedman would have championed.\textsuperscript{141} For example, the Lao Women's Union (LWU)—a key site of Lao political organizing since 1955, enshrined in the Lao Constitution as one of the nation's main "social organizations"—appears to be in the process of being succeeded by national gender "machinery," namely, the National Commission for the Advancement of Women in Lao PDR, created in 2002, under the rubric of gender-mainstreaming, which is a policy approach advanced by the United Nations Development Fund for Women (UNIFEM).\textsuperscript{142} One manifestation of the LWU's transitioning, or a process conducive to it, may have been LWU members "[t]raining and capacity building . . . in consultation techniques and participation as members of PCPD [Public Consultation, Participation, and Disclosure] Teams" for the Nam Theun 2 project.\textsuperscript{143}

In its very stylization, and its far-reaching character, this synthetic jurisdiction evoked Friedman's aspiration for the creation of self-sustaining "institutional arrangements" that might "provide a stable . . . framework for a free economy": a market economy, that is, in Friedman's parlance.\textsuperscript{144} While the Nam Theun 2 project by no means installed a system of competitive capitalism in Lao PDR, it did generate new sites of political and economic authority—the NTPC in particular—as actual or prospective competitors to the Lao State, and it nested these authorities and the Lao Government in an elaborate network of rules. As such, these arrangements gave effect to Friedman's aim of having law maintain a "dispersal of power" and minimize "irresponsible government tinkering" by giving preference to "rules instead of authorities."\textsuperscript{145} The Concession Agreement and related arrangements have encouraged relocated villagers

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\textsuperscript{139} Financing, supra note 45; Economic Consulting Associates, supra note 137, at 25.
\textsuperscript{140} Sarinda Singh, Developing Bureaucracies for Environmental Governance: State Authority and World Bank Conditionality in Laos, 44 J. CONTEMP. ASIA 322, 325–26, 337–38 (2014) (discussing how the education, training, work experience, salaries, and working conditions of officials employed by the Watershed Management and Protection Authority established and funded in connection with the Nam Theun 2 project compared to those of their "district compatriots").
\textsuperscript{141} Peck, supra note 3, at 26. Friedman's societal ontology did not entertain the prospect of collective organizations; it was limited to the individual, the family, the household, and the enterprise. FRIEDMAN, CAPITALISM, supra note 13, at 12–14.
\textsuperscript{144} FRIEDMAN, CAPITALISM, supra note 13, at 38–39.
\textsuperscript{145} Id. at 39, 51.
to look to NTPC rather than the State to address their social needs and pursue economic opportunities (especially in light of the Concession Agreement's requirement that NTPC give some preference to Lao citizens in employing project personnel). Collectively, the people of Laos have also been directed by the Nam Theun 2 project to envisage their economic future through the lens of a productive alliance with Thai energy consumers, imagining themselves co-positioned with Thai consumers in a legally mediated trade relationship premised on looking through rather than to the Lao State.

If, however, Nam Theun 2 was to usher in economic conditions of Milton Friedman's imagining, it has manifestly failed. Villagers in the project's vicinity do seem to have become increasingly enmeshed in debt relations, through the micro-credit operations of the Village Credit and Savings Fund established in connection with the project. Nonetheless, the capacity of villagers to engage in the sort of "entrepreneur[ship] of [the] [self]" that Friedman envisaged individuals pursuing is limited by their ongoing difficulty meeting subsistence needs. Degrees, qualities, and directions of villagers' aspiration may vary, even in the case of a single individual. Nonetheless, as Rigg has argued, the people of the Nakai Plateau on which the Nam Theun 2 project is located seem caught in a "resource squeeze" arising from the combination of "a wealth-creating process driven by the opening up of new market opportunities . . . and a poverty-creating process driven by the erosion of traditional activities." As Rigg explains, "over-exploitation or under-production in one realm spills into another." As already noted, for Friedman, the ultimate safeguard of liberty is abundance. There was little of this in evidence in the Nam Theun 2 project resettlement village that we visited, where the marketplace built for local trade of produce stood unused. An AUSAID-commissioned review of the project confirmed what several villagers told us: that poor quality soils in resettlement areas have meant that the agricultural activities that villagers were encouraged to take up do not meet their subsistence needs, while competition for river fish has intensified.

146. Summary of the Concession Agreement, supra note 129, at 4.
148. Foucault, supra note 19, at 226.
149. Holly High, The Implications of Aspirations, 40 Critical Asian Stud. 531, 531, 533 (2008) (arguing that those in resettlement villages in Laos employ "an experimental and aspiration-oriented mode of engaging with the project" that prompted their resettlement "and, through it, the state").
151. Id. at 127.
152. Friedman, Capitalism, supra note 13, at 14–15.
153. Ball, supra note 69, at iv.
Experts reporting to the Lao government on social and environmental impacts of the project reiterated that there were “important problems” with all of the “five pillars” of sustainable livelihood envisaged in project planning.\footnote{154}

There also seems to have been relatively little evidence of the economic power gained by the Nam Theun 2 project company NTPC, its investors, partners, and advisors “offset\text{[ing]}” pre-existing concentrations of political power, as Friedman envisaged.\footnote{155} Friedman acknowledged that relations between economic and political freedom are complex and not unilateral, but he still maintained that a neoliberal version of competitive capitalism leads to less inequality and greater political freedom than alternative systems of organization.\footnote{156} Laos can hardly be described as the terrain of competitive capitalism. Nevertheless, as noted above, the NTPC has offered some competition to the state in its provision of social services to Lao villagers and information to the Lao public. Yet any expectation, pursuant to Friedman’s teachings, that this competitor’s rise might have lessened material inequality or boosted political freedom has not been borne out so far. Despite impressive GDP growth, Laos’s Gini coefficient is rising at one of the highest rates in Asia.\footnote{157} Villagers near the project are now well versed in answering surveys and engaging in rituals of consultation, but many remain fearful and reluctant to speak out, either against the project company or the Lao Government.\footnote{158} With regard to political freedom beyond the project’s immediate setting, one might turn to any one of the (much criticized) indices that seek to quantify states’ relative performance in this regard.\footnote{159} In 2005, Laos was ranked 155th among the 167 countries listed in the Press Freedom Index published by the French-based organization Reporters Without Borders. By 2014, it had dropped to 171st place among 180 nation states so indexed.\footnote{160} Likewise, Laos was 77th among 159 nation states surveyed in Transparency International’s Corruption Perceptions Index in 2005. By 2013, it was ranked 140th among 175 nation states so listed.\footnote{161}

\footnote{154. POE REPORT NO. 22, supra note 147, at 10.}
\footnote{155. FRIEDMAN, CAPITALISM, supra note 13, at 39.}
\footnote{156. Id. at 10, 169–170.}
\footnote{157. Juzhong Zhuang et al., Rising Inequality in Asia and Policy Implications 7 (Charles H. Dyson School of Applied Econ. & Mgmt, Cornell U., Working Paper No. 2014-14, 2014), available at http://dyson.cornell.edu/research/researchpdf/wp/2014/Cornell-Dyson-wp1414.pdf; Rigg, supra note 150, at 126 (“Perhaps the most significant theme to be highlighted in socio-economic studies carried out in Laos since the mid-1990s has been the recognition that . . . economic growth has been accompanied by a worrying increase in inequality”).}
\footnote{158. Shalmali Guttal & Bruce Shoemaker, Manipulating Consent: The World Bank and Public Consultation in the Nam Theun 2 Hydroelectric Project, 10 WATERSHED 18, 21, 24 (2004).}
\footnote{159. See generally Sally Engle Merry, Measuring the World: Indicators, Human Rights and Global Governance, 52 CURRENT ANTHROPOLOGY 583 (2011).}
Consistent with Friedman’s view that the introduction of market-promoting policy settings around non-governmental actors could generate an “interwoven network of free institutions” over the long-term, it was a prevailing expectation of the Nam Theun 2 project that it would serve as a “standard setter” for future political and economic development in Lao PDR.\textsuperscript{162} The Decision Framework for Processing the Proposed NT2 Project, published by the World Bank in 2002, asserted that “it is critical to the success of the project that sustained progress on reforms be maintained over the long-run.”\textsuperscript{163} Contrary to these expectations, the Xayaburi project’s development has been premised on a conscious dispensation with the reformist template of Nam Theun 2 among Lao decision-makers, as highlighted above. Meanwhile, EGAT’s cross-border trade with Laos notwithstanding, the EGAT monopoly on Thai electricity markets that has long stuck in the craw of neoliberal commentators remains as intractable as ever. One Thai commercial banker with whom we spoke expressed the sort of deference with which the Lao Government today seems to be met in the financial markets, now that it is flush with the financial success of Nam Theun 2 and associated access to new sources of capital: “[I]n Laos . . . the one that we have to listen to is the Lao Government. It’s the Lao Government, it’s not anyone else.”\textsuperscript{164} Far from “offsetting” the “coercive power of the state,” as Friedman envisaged, the neoliberal experiment of Nam Theun 2 seems to have augmented it, all while keeping alive the sense that Laos is somehow en route to profound and ultimately emancipatory change.\textsuperscript{165}

These experiences in Laos do not refute Friedman’s thesis about the relationship between political and economic freedom. One would need a larger canvas in order to do that. In any event, one might query whether Friedman’s theoretical model is of a sort that could ever really be proven true or not, all the more so when assessed against “evidence” gathered decades after Friedman was writing.\textsuperscript{166} Rather, these observations explain


\textsuperscript{164} Interview with Thai Bank Executive (Nov. 26, 2012) (on file with author).

\textsuperscript{165} Friedman, Capitalism, supra note 13, at 202.

\textsuperscript{166} Friedman, Positive Economics, supra note 4, at 9, 14. Arguing that the assessment of economic theories or hypotheses by whether their assumptions are shown to be empirically accurate is fundamentally mistaken, Friedman wrote: “Factual evidence can never ‘prove’ a hypothesis; it can only fail to disprove it”; “Truly important and significant hypotheses will be found to have ‘assumptions’ that are wildly inaccurate descriptions of reality . . . A hypothesis is important if it ‘explains’ much by little . . . if it abstracts the common and crucial elements from the mass of complex and detailed circumstances . . . and permits valid predictions on the basis of them alone. To be important, therefore, a hypothesis must be descriptively false in its assumptions.” For discussion of this essay’s reception, criticism, and influence, see Thomas Mayer, Friedman’s Methodology of Positive Economics: A Soft Reading, 31 Econ. Inquiry 213, 217 (1993).
how the Nam Theun 2 project might be understood as a failure in neoliberal terms, for purposes of its “failing forward” into Xayaburi. If it marks the failure of the reformist aspirations with which the Nam Theun 2 project was embedded, the Xayaburi project still expresses the “rolling dynamic of experimentation” by which neoliberal restructuring has been characterized—a dynamic “in many ways sustained by repeated regulatory failure.”\textsuperscript{167} Xayaburi continues to instantiate Friedman’s conviction that promoting free trade internationally represents the best available route to “an enormous accession of political and economic power” for all participating, premised on their realization of “reciprocal benefits.”\textsuperscript{168} Xayaburi has also maintained at least some of the “‘market conforming’ regulatory incursions” identified with Nam Theun 2, as noted above. It certainly continues Laos’s enthusiastic “embrace of public-private partnership,” a characteristic regulatory incursion of neoliberalism.\textsuperscript{169} Xayaburi may, accordingly, be viewed as a less engineered version of neoliberal experimentation, but a version of neoliberal experimentation nonetheless.

In terms of trying to understand how and why the forward momentum of neoliberal experimentation was maintained in Laos, failure notwithstanding, there are likely to have been many factors in play. It may be that the attractive investment returns gleaned from the Nam Theun 2 project in large part explains this propulsion.\textsuperscript{170} It could be that the positive brand value that has accumulated around the Nam Theun 2 project—in light of both its timely construction and its financial complexity—has been a factor favoring its replication (or rather, its remaking) in Xayaburi.\textsuperscript{171} The claim of this Article is, nevertheless, that neoliberalism’s ambivalent modeling of law, apparent in Friedman’s text—as a force both for maintaining state authority and generating pathways for detouring around it—might have helped, in part, to create conditions for that forward failure. It is to the neoliberal framing of law as a model to which we will now turn.

IV. Modular Law and Its Resilience

In Xayaburi, as noted above, the elaborate contractual architecture of dialogue, audit, and monitoring put in place around Nam Theun 2 has been almost entirely stripped away. Even so, the sense that legally super-

\textsuperscript{168} \textit{Friedman, Capitalism}, supra note 13, at 73.
\textsuperscript{169} \textit{Peck}, supra note 3, at 23.
\textsuperscript{170} Merme et al., supra note 45, at 24, 26–27 (citing a figure of 38% return on equity for the Lao Government over the Concession Agreement term and sector-wide returns of 15% to 20% for shareholders generally).
\textsuperscript{171} Id. at 26 (“The financial complexity itself has become a marketing tool… in the case of NT2, the creation and management of its financial scheme provides a reputation that is mobilized in acquiring new projects. While the [World Bank] strongly promotes the success of the financial construction of NT2… its financial participants actively promote their success in being able to deal with extensive, multifaceted and risky investments, involving a great number of actors, and their ability in defining guidelines for complex large infrastructural projects.”)
vised development and legally mandated access to information—more or less along the lines of the Nam Theun 2 project—might yet deliver more to the Lao people has proven remarkably resilient in the context of hydropower development, unfulfilled promises notwithstanding. Outside of Laos, in Thailand especially, an array of organizations continues to clamor for information and to contest decision-making surrounding both Nam Theun 2 and Xayaburi in every available legal forum, as if, through sheer intensity of parallel activity and commentary, to uncork Laos that overflowing wellspring of Friedman’s account: “free discussion and voluntary cooperation.”172 Within Laos, too, Holly High has remarked upon “the apparent ‘success’” that state-sponsored discourses of modernity, including their legal dimensions, have had in “capturing the modernist yearnings of poor people”:

Far from resisting the notion that resettlement may lead to improved and desirable lives, poor people have embraced this narrative. What they rejected and resisted was the state's failure to actually deliver on this promise, or make the narrative a reality. Thus, discourses of modernity break free from the control of any one source (state or society) and are appropriated, interpreted, and misinterpreted in ways that can only partly be understood in terms of domination and resistance.173

An understanding of neoliberal legality (or legally engineered, trade-promoting development) as a reliable route to enhanced economic and political power and wellbeing, more or less faithful to Friedman’s vision, has thus emerged from this two-part sequence of projects remarkably unscathed. Any failure on the part of the Nam Theun 2 project to live up to expectations seems to have been understood in terms of contingent and contextual factors—above all, non-market factors—rather than as a basis for questioning the premises upon which the project was structured. Shannon Lawrence’s sense of how one should understand and address the disappointments of the Nam Theun 2 project is representative in this regard, in its focus on factors outside the project’s economic structure and outside project-specific legal and policy infrastructure:

In a country with a one-party authoritarian government, no independent judiciary or independent civil society organizations, no free press, and a ranking as one of the world’s 25 most corrupt countries by Transparency International . . . dams have left a legacy of broken promises and uncompensated losses.174

173. High, supra note 149, at 549.
174. Lawrence, supra note 54, at 82.
As failure gets deflected towards considerations of context, culture, and local legal and political institutions, these afford justification for “doubling down” on neoliberal commitments and templates, rather than inspiring innovation beyond or against them. Central to this capacity for market-promoting development templates to survive their failures (indeed thrive upon them) is their modularity. Neoliberal policy thinking has tended to trade in standardized designs, made up of discrete, separable, scalable, and transferable elements. This has been crucial to its global success.

Law, in this tradition, is likewise the subject of modular configurations, according to a seemingly incommensurable set of briefs that it is called upon to carry—precisely the impossible mix of mandates that Milton Friedman’s Capitalism and Freedom offers up for law. Neoliberal law must be utterly “impersonal,” uniform and reliable in its operations, it must be transformative of every aspect of life, yet it must also be purportedly minimal in scope and ambition, never straying beyond a limited list of functions. Law must correct for a wide range of “neighborhood effects” (or externalities), but must not encourage “governmental intervention” to do so. It must preserve at all costs the integrity of economic arrangements voluntarily concluded, however inscrutable or adverse to the public. Almost everything beyond this that might be considered harmful, unjust, or problematic is to be left to the workings of “taste,” choice, persuasion, patronage, and the seemingly infinite abundance of options that economic life can deliver, so long as people maintain “belief in freedom itself.”

So disarticulated, law becomes modular and thereby, to some degree, insulated from question. All the claims made of and for law in Capitalism and Freedom—regarding impersonal reliability, non-intrusive protectiveness and the like—are invested with the tenor of a hypothesis. They amount to a model, a “game” with rules, not an emergent or extant reality. As Friedman wrote of the “theory” that the “science” of economics aims to develop:

Such a theory is, in general, a complex intermixture of two elements. In part, it is a ‘language’ designed to promote ‘systematic and organized methods of reasoning.’ In part, it is a body of substantive hypotheses designed to abstract essential features of complex reality.

175. I take the use of the phrase “doubling down” in this context from remarks by Thomas Biebricher, in discussion at the Politics of Legality Workshop, supra note 2.
176. FRIEDMAN, CAPITALISM, supra note 13.
177. Id. at 15, 21, 34–35, 119.
178. Id. at 30–32.
179. Id. at 14.
180. Id. at 15–21, 111.
181. Id. at 202.
182. Id. at 15, 25.
183. FRIEDMAN, POSITIVE ECONOMICS, supra note 4, at 7.
Cast as both “language” and “hypothesis,” the characterization of law in Capitalism and Freedom is not expected to correspond directly to “real world” experience. Accordingly, where legal reforms reflective of a Friedman-esque policy agenda do not deliver materially upon one or other of the promises that they carry—for example, promises of a reduction in “governmental intervention” or spontaneous improvement in economic freedom—this need not cast the agenda itself into question. On the contrary, observations along these lines are just as likely to fuel further neoliberal experimentation. “The necessity of relying on uncontrolled experience rather than on controlled experiment makes it difficult to produce dramatic and clear-cut evidence to justify the acceptance of [the] tentative hypotheses [of neoliberal theory],” Friedman remarked, and the very same factors seemingly make it difficult to dispense with neoliberal hypotheses as well. “Observed facts are necessarily finite in number; possible hypotheses, infinite,” Friedman continued. “If there is one hypothesis that is consistent with the available evidence, there are always an infinite number that are,” Friedman wrote, such that “[t]he choice among alternative hypotheses equally consistent with the available evidence must to some extent be arbitrary.”

Friedman’s tales of law and life are, he cautions, arbitrarily chosen, “tentatively accepted generalizations,” and it is their very tentativeness that ensures the durability of their acceptance. Compounding this is a sense that innovation beyond or against these generalizations is, in Friedman’s description, not something for which a community can organize. Rather, it must await the advent of inspiration approaching the divine:

> The construction of [new] hypotheses is a creative act of inspiration, intuition, invention; its essence is the vision of something new in familiar material. The process must be discussed in psychological, not logical, categories; studied in autobiographies and biographies, not treatises on scientific method; and promoted by maxim and example, not syllogism or theorem.

Even so, law does not wholly escape blame in relation to neoliberalism’s setbacks, as the quote from Shannon Lawrence cited above made clear. The modular understanding of law set out in Capitalism and Freedom is not one designed for the avant-garde. Rather, models of law in Friedman’s telling always trail economic models or “hypotheses”; it is in the latter’s service that the former are devised. This pairing, too, is vital to neoliberalism’s capacity for forward failure.

As between the “tentatively accepted generalizations” of economics and those of law in Friedman’s writing, it seems relatively rare for a truth-

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184. Id. at 30–32.
185. Id. at 40.
186. Id. at 9.
188. FRIEDMAN, POSITIVE ECONOMICS, supra note 4, at 43.
claim or a justice-claim (that is, a plea for the model itself to be more realistic or more just) to be leveled at an economic model. Certainly, Friedman counsels comparison of “the actual with the actual” when evaluating the relative effects of “the market” and “governmental intervention.” Yet this comparison is one that he feels able to dispose of quite summarily in the market’s favor:

If a balance be struck, there can be little doubt that the record is dismal. The greater part of the new ventures undertaken by the government in the past few decades have failed to achieve their objectives . . . . Governmental measures have hampered not helped . . . development.

In contrast, Friedman cannot or will not declare any particular “actual” instance of competitive capitalism a failure for two reasons: first, because Friedman simply does not seem to see (or at least, does not present to his readers) evidence of failure on the part of market-conforming endeavor; and second, because any such failure is made, in his account, to attach to the actual as compared to the ideal. Any “actual operation of the market” will, Friedman emphasizes, inevitably fall short of its “ideal operation.” To criticize the ideal for the failings of the actual as against the ideal would be to misconstrue the character of an “ideal type,” Friedman admonishes. Yet the ideal type of “governmental intervention” is not so redeemed in his work; rather, it is made to stand and fail by its supposedly “dismal” record in the realm of the actual.

However modular may be its rendering, neoliberal legality does not seem as well disposed as neoliberal economic models to deflect truth-claims and justice-claims, in part because neoliberal legality is far more likely to face such claims than a neoliberal economic model. A neoliberal legal model tends to “take the fall,” idiomatically speaking, for unrealized promises that might otherwise be traced to its economic counterpart: the ideal type of a free market economy. When Shannon Lawrence lamented the Nam Theun 2 project’s “legacy of broken promises and uncompensated losses” in the quote above, it was to law—and to the recurrent themes of contemporary law and development work, the need for reform and training of the judiciary, the imperative of addressing corruption and the like—that she turned for explanation, blame-laying, and a sense of what remains to be done better. Similarly, it was on non-market, Lao-specific, and mainly legal conditions on which Nathaniel Matthews focused in a 2012 article decrying the “water grabbing” occurring in the Mekong River Basin, namely: “[t]he government of Laos[s’s] . . . lack of capacity to regulate development, the existence of corruption and a closed state that controls [International NGOs] and forbids grassroots civil society.”

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189. On the market’s resistance to considerations of justice in the work of Hayek, see Cohen, supra note 61, at 385–86.
190. FRIEDMAN, CAPITALISM, supra note 13, at 197.
191. Id. at 199–200.
192. Id. at 197.
193. FRIEDMAN, POSITIVE ECONOMICS, supra note 4, at 34.
194. Matthews, supra note 100, at 406.
the social and legal reform agenda most closely associated with these deficiencies that gets shed in the transition from Nam Theun 2 to Xayaburi, not the overarching neoliberal economic model, deployed and redeployed seemingly without much question among proponents.

Both the modularity of neoliberal accounts of law, and those accounts’ protective shepherding of a certain model of a free market economy, underpin the capacity of neoliberal policy programs to combine with a remarkable range of institutions and agendas. They underpin, too, the propensity for that combination to occur in a way that ensures that any “failure” of those programs will be localized and attributed to context: to non-market, social, and legal conditions especially. Friedman’s account of law—and the wide-ranging legal and social reform program that followed from that account in the case of Nam Theun 2—is at once so short-form and so ambitious that it seems designed for failure and consequent abjuration. Recall that program’s scope in Nam Theun 2: it extended from water conservation to family planning.\footnote{195. Goldman, supra note 59, at 506.} The program of economic transformation with which these reforms were bound up seems relatively modest by comparison: competition and consumption are more or less all that was said to be required, plus reform aimed consistently at their promotion.

Neoliberalism’s polycephalous yet short-form account of law aids, in particular, neoliberalism’s splicing with one party state power. In this regard, the work of law is functional but also faith-making. Perhaps the most that law does, in the interest of sustaining a neoliberal reform agenda in one party states, is to keep alive the appetite for choice-borne, information-fueled freedom that is at once a source of that state’s prospective legitimacy and a potential harbinger of its demise. Law-borne faith in the power and freedom of the act of informed choice is the crucible in which the sense of neoliberalism having so far failed and the sense of it maintaining unassailable forward momentum are alloyed. This is again why the social and legal reform agenda associated with Nam Theun 2 bore the brunt of that project’s failures: because it was those aspects of the reformist program that traded most explicitly and promiscuously in the language of faith, aspiration, capacity, and promise. It was not the Nam Theun 2 project itself so much as its social and legal mitigants—the related resettlement program, for instance, and associated public and private sector initiatives—that enlivened futurist hope in the Lao community at large.\footnote{196. High, supra note 149, at 531.} When aspirations so elicited were not realized, laws and institutions concerned seemed at fault, or indeed people themselves were made to seem wanting, rather than the economic architecture the project was to entrench. By engaging directly, albeit in abbreviation, in terms of what could and should be, explicitly legal or social dimensions of the neoliberal model for development helped to both sustain that model and shield it from critical inquiry in the transition from Nam Theun 2 to Xayaburi in Laos.

195. Goldman, supra note 59, at 506.
196. High, supra note 149, at 531.
Conclusion

Could it be mere coincidence that Milton Friedman carved out “magnificent dams spanning great rivers” from the derision that he otherwise afforded government reform projects at the end of Capitalism and Freedom? Perhaps, in some magical and improbable leap of the imagination through time and space, Friedman was evoking the Mekong and the strong-arm states that line its banks; the very states that would, decades later, boldly carry forward versions of his vision of a state being transformed, through patronage, aspiration, and trade, into an economy that it might eventually be “appropriate to treat . . . as if it were competitive.”

This Article has explored how it is that such a vision could have been maintained in Laos, in the face of the apparent failure of its predictions and promises to materialize. In Lao hydropower development, as discussed, the neoliberal hyperbole of the Nam Theun 2 project failed forward into the relative obduracy of the Xayaburi project. In so doing, parties and policymakers in each case mobilized a modular account of law, comprised at once of measures designed to ensure the state’s rigorous stability and mechanisms to enable the circumvention of state authority. That hybrid model of law has, in turn, become the target of criticism and reform effort in relation to the projects’ perceived failings (in the case of Nam Theun 2 especially), allowing the economic model with which it was paired to emerge relatively unscathed and readied for further renewal.

What, then, does this account of neoliberal legality’s durable modularity imply for those who would continue to probe “the tension between capitalist and democratic imperatives” in the Mekong River Basin and elsewhere? Let me begin with what it does not support. Recognition of the power and resilience of a neoliberal juridical model does not suggest that commentators and critics should aim to defuse or improve that model by recourse to context, the “grassroots,” or any other mode of laying claim to popular authenticity. On the contrary, this Article has shown just how easily criticism of this kind tends to run off the back of the neoliberal development paradigm or, in the alternative, serves to justify its iterative extension.

The foregoing account similarly does not support any conclusion that models—of law, economics, or anything else—and the practice of thinking with models are hard-wired with a particular politics. To think with a model is not necessarily neoliberal, any more than dispensing with a model would be necessarily progressive or anti-neoliberal. Moreover, neoliberal thought frequently operates in relation to law in other modes: through the intricacies of legal doctrine and judicial decision-making, for instance.

197. Friedman, Capitalism, supra note 13, at 199.
198. Id. at 120.
199. Singh Grewal & Purdy, supra note 1, at 22.
A model may elicit “design thinking,” but the propagation of models in neoliberal thought need not have been the outcome of such thinking. Compelling studies of neoliberal thought suggest that its influence may instead be attributable to “a combination of dogmatism and adaptability, strategic intent and opportunistic explanation, programmatic vision and tactical smarts, principle and hypocrisy.” Certainly, this is the way that Milton Friedman seems to have understood the makings of success as a public intellectual, that is, as a matter of generating “the ideas that are lying around” when a crisis occurs, or is perceived to have occurred, or “develop[ing] alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.”

It may be as a tale of success through failure, more or less in these terms, that the story of Nam Theun 2, Xayaburi, and the legal and policy infrastructure surrounding each of these projects might resonate for those who worry both about the extraordinary prevalence of neoliberal public reason in law and development work today, and about some of its apparent downsides. The “inevitab[ility]” of approaching law reform in poor countries through a neoliberal prism is something that Friedman, his colleagues, students, and acolytes worked hard to bring about by forging somewhat unlikely alliances across geographic borders, disciplines, and institutions, and laboring to “keep [alternatives] alive,” especially in modular form. Those critical of the Nam Theun 2 and Xayaburi development models, or of other projects like them, might learn from the example of Friedman, and others in the neoliberal “thought collective,” to develop interventions which do not merely embellish those models, or aid their forward failure, but rather pose alternatives to them.

Alternative models to those of neoliberal hydropower development discussed in this Article are still alive in the Mekong River Basin, as well as among the many different types of market economies observable throughout the world. For instance, pico-hydropower (comprised of hydro-electric turbines installed at the household or village level that generate up to 1 kW of electrical power, or up to 5 kW according to some definitions) is well established across Laos. Its prevalence maintains a “tension” within Lao energy politics “between centralized production for export and domestic off-grid rural electrification,” and among energy-generation practices having vastly different degrees of adverse environmental and social impact.
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The terrain of pico-hydropower—having so far operated with minimal infrastructural, policy, or financial support from either public or private sources—may be conceived of as a field of spontaneous market order or “catallaxy.” Yet it could also be understood as a field in which various coalitions of actors are organizing, or might yet organize, to help keep alive alternative formulations of a market economy, or vocabularies of public reason, to those championed by Friedman. Experiments and models oriented around pico-hydropower and other sustainable energy-generation practices might fail in any number of ways, but they might yet fail forward in ways newly responsive to the abiding truth claims and justice claims that neoliberal models of law so frequently seem unable or disinclined to answer.


206. HAYEK, THE ROAD, supra note 22, at 14. This is indeed how the prevalence of pico-hydropower is characterised in Smits & Bush, supra note 205, at 121–2, 125–6 and Susanto & Stamp, supra note 205, at 439.
