ONLINE-PUBLIKATION

Emma Dowling

Incorporate or Mobilise?

Making Sense of the Social Turn of Finance and the Rise of Impact Investing

ROSA LUXEMBURG STIFTUNG

IMPRINT
ONLINE-Publikation 1/2017
is published by the Rosa-Luxemburg-Stiftung
Responsible: Stefan Thimmel
Franz-Mehring-Platz 1 · 10243 Berlin, Germany · www.rosalux.de
ISSN 2567-1235 · Editorial deadline: January 2017
Editing: Katharina Pühl
Proofreading: Simon Phillips (Linguatransfair)
Layout/Production: MediaService GmbH Druck und Kommunikation

EMMA DOWLING[1]

INCORPORATE OR MOBILISE?

MAKING SENSE OF THE SOCIAL TURN OF FINANCE AND THE RISE OF IMPACT INVESTING

"'Tis so," said the Duchess: "and the moral of that is – "Oh, 'tis love, 'tis love, that makes the world go round!"
"Somebody said," Alice whispered, "that it's done by everybody minding their own business!"
"Ah, well! It means much the same thing," said the Duchess, digging her sharp little chin into Alice's shoulder as she added "and the moral of that is –'take care of the sense, and the sounds will take care of themselves.'"
Lewis Carroll, Alice's Adventures in Wonderland.

Is it love that makes the world go round, or should we all just tend to our own business? In Lewis Carroll's famously absurd tale, Alice's Adventures in Wonderland, the Duchess wants to suggest that these two maxims mean pretty much the same thing, even if what she is saying does not really make much sense at all. Funnily enough, her assertion is actually not that dissimilar from the kind of argument that has emerged in the wake of the global financial crisis of 2008 and in response to the charge that it was 'greedy' and 'reckless' bankers who caused the financial meltdown. While the American film industry keeps supplying the popular imagination with reminders – most recently with films such as 99 Homes or the Big Short, each in their own way pointing to the alleged selfishness and disregard for the welfare of others engulfing the financial industry – proposals for a new kind of philanthrocapitalism[2] have emerged as a way of seeking to address such criticisms while also creating new markets for investment. The idea of investing with a social – as opposed to merely a financial – purpose holds out that concern for others can indeed be harmonised with concern for one's own business. This report investigates this case and provides an overview of the development of the emerging global social investment market (or simply impact investing) and outlines the actors, organisations and institutions involved. Focussing predominantly on the case of Britain, as both a leading force and a laboratory for these developments, it offers a critique of the specific policies and mechanisms involved and examines how the pursuit of financial yield is in the process of being embedded in the welfare state, local municipalities and communities. With the rise of the social investment market new areas of social life are subsumed under financial markets through the development of new instruments and products, while the public purse is once again enlisted to provide returns on investment, just as with private finance initiatives and public–private partnerships. Where governments are looking for new ways to curb welfare spending, the creation of a social investment market is supposed to lead to a 'win-win' for all. Following an examination of the mechanisms of social and impact investing, in conclusion this report places these developments into the wider context of global restructuring in the wake of economic crisis, and suggests some possible responses to these developments.

THE EMERGENCE OF SOCIAL AND IMPACT INVESTING

In 2014, six years after the financial crisis shook the global economy, the G8 member states published a joint report in which they proposed a new orientation for finance. With reference to the market's metaphorical 'invisible hand', as first coined by the 18th century British political economist Adam Smith, the report suggested that the market may not only have an invisible hand, but also an invisible heart, i.e. a social conscience oriented towards improving the well-being of people and planet through investing in projects that have a positive effect on society.[3] The financial crash of 2008 highlighted the need for renewed efforts to ensure that finance helps build a healthy society. This requires a paradigm shift in capital market thinking from two to three dimensions. Capital markets should not only be concerned with financial risks and returns, but should also consider the social – and also environmental – effects of investments. By steering investments towards trade that has a social purpose, business can be made to produce outcomes that are more consistently of use value to society.

1 This report draws on research published in Dowling (2016): 'After Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain', New Political Economy 22 (4); doi: 10.1080/13563467.2017.1232709 and in Dowling and Harvie (2014): 'Harnessing the Social: State, Crisis and (Big) Society', Sociology 48 (5): 869–886.
2 For a book length critique of the philanthropic industry, see McGoey, L. (2015): *There's No Such Thing as a Free Gift,* London: Verso.
3 G8 Social Investment Taskforce (2014): 'Impact Investment: The Invisible Heart of Markets', http://www.socialimpactinvestment.org/repoIrmtsp/act%20Investment%20Report%20FINAL%5B3%5D.pdf/.

In other words, financial markets can acquire a heart and produce socially beneficial outcomes. The idea for a social investment market first surfaced in the 1980s with the rise of an interest in venture philanthropy. In contrast to conventional philanthropy where individuals, corporations and foundations donate money to good causes, venture philanthropy not only emphasises efficiency *and* effectiveness in philanthropic giving ('value for money') but also introduces the idea of financial returns. In Britain, a Social Investment Taskforce was established under the 'New Labour' government in 2000, although the idea of social investment did not really take off until after the global financial crisis.[4] Since 2010, the global social investment market has gained ground in the US and in the UK in particular, garnering attention in other G8 and European countries, especially in Belgium, Germany, Austria and Switzerland, as well as in parts of South Asia. The City of London Corporation has expressed the aim to make London the leading global hub of social impact investment.[5] In 2015, the financial services company JP Morgan Chase and The Global Impact Investment Network identified 375 impact investment funds and products globally with a rapidly growing total investment value of USD 60 billion.[6] Advocates in business and finance see it as a potential route out of the crisis:

"Even before the economic crisis, a growing number of companies were starting to take seriously the need to put values at the heart of their business model. These included some of the best-known and most profitable firms in the world. Like philanthropy, this is something that needs to be central to the new form of capitalism that will emerge from the crisis."[7]

Governments are to enact appropriate legislation, regulatory frameworks and tax incentives that foster the development of these new financial markets. Aside from active support from the G8 countries, the EU has formally recognised funds that invest 70 per cent of investor capital into European social businesses and European Social Entrepreneurship Funds are to enable more and better fundraising.[8] In the UK, impact investing currently receives a 30% tax relief[9] and GBP 400 million in unclaimed assets from bank accounts that have not been used or accessed for at least 15 years and thus considered to be "dormant"[10] are also being used to facilitate this market creation. Governments are also to act as commissioners of a new financial instrument called a Social Impact Bond (SIB) to produce social outcomes.

PRODUCING SOCIAL VALUE

Social or impact investing involves the investment in initiatives and enterprises that have a social purpose, achieving positive social outcomes and producing 'social value' or 'impact'. Other terms used include 'shared value' or 'added value'. Each of these terms signals an attempt to circumscribe the non-economic or non-financial 'returns' or 'outcomes' that a particular investment can be used to achieve – social in the sense of a benefit to social cohesion; impact in the sense of having an effect and not just making money; added in the sense that the value produced is not just economic, financial or monetary; and shared in the sense that it is not only investors who gain but also individuals, communities and society at large. The definition of what exactly constitutes social value is unspecified, leaving its precise content to be shaped by the case-specific actors and projects. In general terms, social value is a metric that is used to quantify the extent to which any particular initiative contributes to a better functioning, socially cohesive and environmentally sustainable society. Social value can also involve incorporating subjective factors such as someone's capacity to feel sufficiently included in decision-making or having an opportunity to enhance their skills, capacities or wellbeing in some way. The concept of social value offers a way of rendering visible the kinds of 'immaterial' outcomes produced by social interactions by people supporting and assisting or caring for one another and generally reproducing livelihood and sociality, addressing environmental degradation or empowering communities and

---

4 UK Government Social Investment Taskforce (2000): 'Enterprising Communities: Wealth Beyond Welfare': http://www.ronaldcohen.org/sites/default/ les/3/SITF_Oct_2000.pdf/.
5 City of London Corporation (2015): 'Developing a Global Financial Centre for Social Impact Investment' (Price Waterhouse Cooper): http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/Research-2015/Developing-a-global-nancial-centre-for-SII.pdf/.
6 Global Impact Investing Network (undated): 'What You Need to Know About Impact Investing', https://thegiin.org/impact-investing/need-to-know/#s8/.
7 Bishop, M. and M. Green (2010): *The Road from Ruin – A New Capitalism for a Big Society,* London: A & C Black, p. 265.
8 See http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm/.
9 Further information: https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief/.
10 The 2014 government review of the 2008 Act that enabled banks and building societies to transfer the money held in dormant accounts to a central reclaim fund that was used to set up the social investment market: https://www.gov.uk/government/publications/review-of-the-dormant-bank-and-building-society-accounts-act-2008/.

improving local democracy. Currently, many investments are in welfare services, the majority of which are focussed on early intervention or prevention.

Areas include:
– crime and recidivism (rehabilitating ex-offenders);
– youth engagement (providing mentoring, skills training, employability or educational services);
– early childhood education;
– health and social care (adoption and foster care, mental health and eldercare, e.g. reducing social isolation);
– homelessness, housing and local facilities (including new collective, shared and sheltered housing projects);
– income and financial inclusion (particularly with regard to strengthening financial literacy within the population so that people become more reliable borrowers);
– conservation of the natural environment and the development of renewable energy (emphasising the link between social and environmental value);
– initiatives to assist with community and relationship building or with family issues.[11]

Emphasis is given to frameworks for quantifying social outcomes, so as to enable the measurement and comparison of social value across disparate interventions that can thus be assessed in relation to one another. Such metrics are intended for organisations providing services to better demonstrate their effectiveness, but they are also intended to serve investors wishing to ascertain where best to invest. Some investors accept below-market returns because they have explicit social or ethical commitments,[12] yet overall, social investment markets are supposed to operate in the same way, that is with the same kinds of characteristics of risk and return, as any other kind of financial market, including an orientation towards competitive rates, with potential investors including government, trusts and foundations, individual retail investors, wealthy individuals, and mainstream banks.[13] Despite the emphasis on social value as distinct from economic value, the whole point of the metrics and models being developed is to enable the quantification of the social value produced so as to monetarise it: without measure, no value can be established.
At first sight, the metric of social value looks like a new or different way of determining value in non-economic terms. In actual fact, it is simply the creation of a new market. To understand this, it helps to see social value as a product, a commodity even: a service that is being provided to society. The investor's role is to provide funds (i.e. lend money) to projects, organisations and initiatives providing such services and thereby producing social value. This could be a local library stimulating the creative and thinking capacities of young and old, a community centre offering workshops on how to save water or insulate houses, an eldercare programme, a nursery school, or a training course for unemployed youth. Any initiative, project or organisation financed by investors seeking a return on their investment must engage in surplus-generating activities of some sort in order to pay their investors, usually through the provision of a service sold to someone or an institution. As one advocate suggests: "social value is not an objective fact; instead it emerges from the interaction of supply and demand, and therefore, may change across people, places and situations […] something is valuable only if someone is willing to pay for it."[14] This market-orientated definition of social value draws attention to the fact that aside from investors and service providers, there is a further party in the market for social investment: the customer – the person, organisation or institution who is prepared to purchase the service that is being provided. The aim of social investment is to expand 'repayable finance models', in other words, to expand the opportunities for service providers to access finance (i.e. borrow money), either through equity, loans or community shares, and use the social investment model to measure their value creation, subsequently generating income by selling goods and services directly or by obtaining a government contract. So, for example, to repay an investor, a nursery school may use income from fees charged for childcare services; or a project that provides shared housing for people with disabilities may use income generated from rents to repay their loan; or a mentoring service for disadvantaged children may bill a local school for the provision of their services, thus repaying investors with the income generated this way.

11 See the 'Outcomes Matrix' of Big Society Capital: http://www.bigsocietycapital.com/impact-matrix/.
12 See Foley, S. (2015): 'Impact Investing Must Be More Than a Buzzword', The Financial Times, 1 November 2015, https://www.ft.com/content/fd5d5a8a-7e37-11e5-98fb-5a6d4728f74e. In addition, the (2016) sixth edition of the Annual Impact Investor Survey conducted by JP Morgan Chase and the Global Impact Investing Network states that "nearly 60% of respondents primarily target 'risk-adjusted, market rate returns', while a quarter of respondents primarily target 'below market rate returns: closer to market rate' and 16% target 'below market rate returns: closer to capital preservation', https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20 Survey_Web.pdf/, p. 3.
13 See: http://www.bigsocietycapital.com/social-investment-market/.
14 Mulgan, G. (2010): 'Measuring Social Value', Stanford Social Innovation Review, summer 2010, http://ssir.org/articles/entry/measuring_social_value/.

Whether there is an end-user paying for an individual service or whether it is an organisation like a school, a local council or even a government department paying for the delivery of some sort of social service, the common denominator is the same: funds need to be raised to pay investors a return on their investments. Furthermore, the social investment market is also to be used to assist 'disadvantaged communities'. The creation of new markets for social goods (asset classes, as well as financial instruments) offers a way of rendering low-income areas (that are often also high-risk in financial terms) accessible to private finance. These developments signal a further embedding processes of financialisation in society and the state, while the consequences remain unclear.

MARKETISED MUNICIPALISATION?

In conjunction with the implementation of austerity measures, which cut fiscal expenditure,[15] in Britain individual consumers and local communities are being encouraged to commission, design and provide services to employees through mutual ownership and incentives to set up new social enterprises.[16] A Localism Act[17] was introduced in 2011, offering a new communal infrastructure for greater civic engagement. The Localism Act promised to pass "significant new rights direct to communities and individuals, making it easier for them to get things done and achieve their ambitions for the place where they live."[18] Devolving political decision-making power to the municipal level, the Act utilises discourses of empowerment and emphasises its aim to "give power" to the people, that is to individuals, communities and councils. Concretely, the Act sets out a series of "rights" that communities are given in order to make decisions and to organise local service provision. The Act stresses the increase in "freedom" and "flexibility" for local communities orientated towards enterprise and the creation of new markets. There are two central 'rights' that the act introduces that are indicative of the kind of market democracy that is envisaged, or what is perhaps better understood as municipalisation through the market.

These two rights are the Community Right to Challenge and the Community Right to Bid. The Community Right to Challenge gives communities, such as voluntary and community groups, the 'right' to challenge the way that a council is providing or failing to provide a particular service. It is not hard to see how the austerity measures implemented by the UK government create their own facts: deteriorating public service provision through a lack of government funding creates an environment in which people feel that their services are inadequate, which prompts them to seek recourse to their newly granted option of running a service themselves. This is presented not as a burden but as an opportunity framed in the language of rights as well as innovation. In other words, if a government is unwilling or unable to provide adequate public services, the solution – according to this logic – is not to get the government to provide better services, but for communities to set up businesses to manage and provide such services themselves. Under this legislation, community groups have a right to be heard by the local authority and if they can demonstrate that they can provide the service in a more effective and cost-efficient way, then they (rather than a private company) are to be given the contract to do so.

The Community Right to Bid refers to the preferential treatment councils are supposed to give to local voluntary or community groups that bid for assets such as buildings or sites of community interest. Again, the aim here is to prevent the outright privatisation of assets, as would occur if they were bought by private corporations, but the point is that the logic of the market is not only upheld, it is expanded into new areas of community life and ownership. The government presents these initiatives as an increase in citizen participation and as signs of a healthy democracy. However, it does so while pushing community initiatives in the direction of the market which subsumes them under a business model, introduces a competition logic, makes them vulnerable to wealth extraction by investors and potentially links them to volatile financial markets. Meanwhile, community, voluntary and social organisations continue to search for resources in the face of the crisis, because cuts to public funding have created a need, both in monetary terms (in that funds are lacking),

15 Johnna Montgomerie (2016) has recently discussed the UK government's austerity agenda as a 'failed experiment': https://www.opendemocracy.net/uk/austerity-media/johnna-montgomerie/austerity-as-failed-experiment/.

16 For more details, see the Open Public Services White Paper, https://www.gov.uk/government/publications/open-public-services-white-paper For annual updates on implementation progress since 2011, see http://www.openpublicservices.cabinetoffice.gov.uk/.

17 Archived at http://www.legislation.gov.uk/ukpga/2011/20/contents/.

18 'A Plain English Guide to the Localism Act', p. 8, archived at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/le/5959/1896534.pdf/.

but also in terms of the social necessity for projects and initiatives that help people in need or that take over communal infrastructures where funding has been removed. Consequently, community businesses are an emerging type of locally situated organisation that use a business model not only to address and counter the negative effects of austerity measures with regard to the shortfall in funds and therefore services, but also to set up self-sustaining, self-managed and purportedly innovative service provision. They do so by directly taking over public assets, which complements the UK government's drive to 'shrink the state' and privatise public assets. A community business or enterprise is set up and run by a local community with the purpose of generating social value or social impact, and trading in goods and services with a view to being self-sufficient, that is, independent of grants. In January 2015, there were an estimated 4,400 community businesses in England and Wales employing around 24,000 staff and engaging 12,000 volunteers.[19] By the end of 2015, this sector had grown by 9% to include "5650 community businesses generating GBP 0.9 billion income on GBP 1.4 billion of assets."[20]

Among such business models there are three that stand out in particular. These are Public Asset Managers, Business Savers and Community Start-ups. Each of these three groups sheds light on an aspect of the nature of the crisis and the restructuring that is happening in its wake. All of these businesses are aimed at promoting and facilitating social cohesion, in other words, addressing the lack of social cohesion that has been occurring at a heightened speed and intensity since the crisis. The first group, Public Asset Managers, are entities that involve a formerly "publicly-run and funded venture" and use "a combination of government contracts, new revenue streams and in-kind contributions." Therefore, Public Asset Managers also involve the sale and privatisation of public assets, and often rely on volunteer contributions to perform services for governments. The second group, Business Savers, are entities that step in to 'save' social and public institutions that are underperforming or facing closure due to austerity measures and cuts to their funding. For example, a local library that is going to be closed due to a lack of funds could be taken over and run by a community business instead. In other words, this is a form of privatising run-down or endangered public services. Finally, Community Start-ups are businesses that are "similar to locally run SMEs but with a clear social purpose."[21] Such community business models engage with the discourses of community empowerment, local budgeting, participatory governance and the different practices that have been part of the language of progressive movements against neoliberalism. Indeed, the title of a recent report sums this sentiment up when it asks, "What if we ran it ourselves?"[22]

'SOLVING SOCIAL PROBLEMS' WITH SOCIAL IMPACT BONDS

Governments are key players in the expansion of the social investment market, and not just in terms of providing the relevant legislative and financial support, including tax relief for investors, but also as users of social investment. A new financial product called a Social Impact Bond (SIB) offers a mechanism through which private finance can be used to fund projects that produce social value, or more succinctly, that can intervene in society to solve social problems. The UK pioneered the world's first ever SIB in 2010, and with 32 SIBs, the UK is currently home to over half of the world's SIB-financed projects, with the number rising at a fast pace. In the UK there are three government departments that run SIB- financed projects: the Cabinet Office, the Ministry of Justice and the Department for Work and Pensions.[23] Alongside the use of SIBs in funding social interventions, there have also been changes to legislation to facilitate the use of SIBs in procurement. Overall, SIBs are supposed to provide resources to governments to fund social interventions, and, through the application of market mechanisms, assist in fostering innovation and scaling, and provide significant cost-savings. The following discussion assesses the SIB framework, both in terms of its financial mechanisms and its political and social implications. In particular, the discussion focuses on how these interventions aim to use financial instruments, institutions and market mechanisms that disregard the structural

19 Swersky, A. and Plunkett, J. (2015): '"What If We Ran It Ourselves?" Getting the Measure of Britain's Emerging Community Business Sector', Social Finance, archived at: http://www.thepowertochange.org.uk/wp-content/uploads/2016/03/What-if-we-ran-it-ourselves-JAN2015.pdf/.

20 Percy, C., Swersky, A., Hull, D. and Medley-Hallam, J. (2016): 'The Community Business Market in 2015', Research Report 1, The Power to Change Research Institute, http://www.thepowertochange.org.uk/wp-content/uploads/2016/03/PTC-State-of-the-market-2015-research-report-tagged_AW-REV1.pdf, p. 2.

21 Ibid., p. 4.

22 Ibid.

23 Following the June 2016 EU-Referendum in favour of Brexit and Theresa May's assumption of the office of Prime Minister, social and impact investing has been moved from the Cabinet Office to the Department for Culture, Media and Sport and it remains to be seen what role social and impact investing will have in the future.

inequalities that entrench social problems while promoting interventions that focus on individual attitudes and behaviours. Such social interventions that include, for example, reducing the number of young people 'not-in-education-employment-or-training' ('NEETS') extend the logic of labour market activation germane to the neoliberal welfare state that is orientated towards producing social subjects who accept the imperatives of personal responsibility, productive citizenship and independence from welfare.

A Public Services (Social Value) Act[24] came into force in the UK at the beginning of 2013. This Act set out "a national and local authority social enterprise strategy" linked to the "payment by results" approach to commissioning – that is, payment for services rendered is made when results are actually achieved and evidenced.[25] The Act mandates public authorities engaged in procurement not only to consider the effective provision of a particular service in economic terms, but to consider the shared value or social value a commissioned service intends to achieve. When procuring services, a government or council commissions a social sector or community organisation to achieve a concrete, quantifiable and measurable social outcome in a stipulated period of time. A consortium of service providers can compete to offer the most cost effective and efficient service to achieve this aim. In the UK, a bank for social investment called Big Society Capital (BSC) was set up in 2012. BSC provides wholesale finance to Social Finance Intermediary Institutions (SIFIs), originally drawing on GBP 200 million in equity funding from some of the UK's major commercial banks along with GBP 400 million from the unclaimed assets of dormant bank accounts (personal bank accounts that have not been used or accessed for 15 years or more). The BSC board is made up of individuals from across the sectors of investment banking and finance, as well as from philanthropic and some voluntary or third sector organisations.[26] When commissioning a social intervention, a government or a local council collaborates with a SIFI. SIFIs include social and cooperative banks or conglomerates of small business financiers, as well as private foundations. SIFIs act as a 'go-between' to bring the different parties together – service providers, governments, investors – and manage the project. It is the SIFI that issues and oversees the Social Impact Bond (SIB).

There are currently three types of SIB: direct (delivery contract between outcomes payer and service provider), managed (delivery contract between outcomes payer and prime contractor) and intermediated (delivery contract between outcomes payer and investor-owned special purpose vehicle which contracts the service provider). Private investors investing in SIBs expect an annual rate of return, often between 15% and 30%, depending on achieved outcomes.[27] The world's first ever SIB at Peterborough Prison in the UK aimed to reduce the rate of recidivism through the provision of a rehabilitation programme. Examples of other early SIBs are one used by Essex County Council (a municipality east of London) to reduce the number of children taken into care, a SIB to reduce homelessness in London, as well as a SIB developed by the Private Equity Foundation mentoring young people at risk of being out of education, employment or training.[28] In a project aimed at supporting disadvantaged young people, the UK Department for Work and Pensions pays for outcomes per participant that can be linked to improved attitudes towards education, school attendance, achievement of educational qualifications and entry into sustained employment.[29] By providing exact and also differently priced measures of outcomes – concrete achievements or reductions of a particular phenomenon by a certain percentage over a specific time period – financial investors are provided with ways to compare which investments would be likely to yield the most return.

The focus on individuals in need of remedial intervention reinforces the idea that the remedy for a social problem is to be found at the level of its symptom and by changing the individual affected as opposed to transforming the social, political and economic structures that create such social problems in the first place.[30] The interventions that are being developed also involve financial literacy and financial inclusion in attempts

24 http://www.legislation.gov.uk/ukpga/2012/3/enacted/
25 See UK Cabinet Office Centre for Social Impact Bonds, (http://data.gov.uk/sib_knowledge_box/).
26 For the list of private equity firms, banks and investment management firms that are either members or supporters of the Private Equity Foundation, see: http://privateequityfoundation.org/about-us/members-and-supporters/.
27 Whitfield, D. (2015): 'Alternative to Private Finance of the Welfare State – A Global Analysis of Social Impact Bond, Pay for Success and Development Impact Bond Projects', http://www.european-services-strategy.org.uk/publications/essu-research-reports/alternative-to-private-finance-of-the-welfare/alternative-to-private- nance-of-the-welfare-state.pdf/, p. 17.
28 See the project website: http://think-forward.org.uk/.
29 See https://www.gov.uk/government/uploads/system/uploads/attachment_data/ le/212328/hmg_g8_factsheet.pdf/.
30 Silver, D. and Clarke, B. (2014): 'Social Impact Bonds: Pro ting from Poverty?' Social Action Research Centre, http://www.the-sarf.org.uk/social-impact-bonds/.

to actively produce 'investment-ready' financial subjects ready to participate as debtors and creditors in a financialised economy.[31]

Within the European Union, the idea of a social investment state emerged in the 1990s as a response to the socio-economic changes ushered in by neoliberal globalisation, in an attempt to find a welfare state model that was both post-Keynesian and post-neoliberal. It was to be post-Keynesian in its intention to update welfare state models to the demands of a post-industrial society, and post-neoliberal in its intention to carry forward the main doctrines of neoliberalism, while using the state to steer social policy for the purposes of activating the future productivity of labour. Against previous institutionalist models of welfare that sought to mitigate income inequalities and unemployment in the present, the social investment state would combine forms of social protection that were ostensibly antithetical to 'pure' neoliberalism with neoliberal activation policies geared towards employability and individual responsibility, and labour market activation policies to foster the productivity of citizens. The current emphasis on growing a social investment market reflects this orientation, allowing for the emergence of a complex picture in which the state does not simply invest public money to enhance the future productivity of its workforce, but uses public funds to attract private investment to address social problems and cut costs. This reinforces the neoliberal ideology of welfare state retrenchment and implies that one of the main roles of the welfare state is to reduce an assumed burden of welfare dependency and promote personal, private responsibility (whether individual or collective).

CASHING IN ON COST-SAVINGS?

To further diversify their investment portfolios, different investors can invest in a SIB and by doing so make funds available to a project that is aimed at solving a particular social problem. If a project achieves its goal in the given time frame, the government department or local council commissioning the service pays the investors their money back and incentivises the investment through the payment of returns. Unlike traditional bonds that pay a fixed rate of interest until they reach maturity, SIBs are more like an equity-investment and yield on the basis of performance: the achievement of stipulated social outcomes. Amidst the proliferation of models for measuring social outcomes, there is one model that has become the most dominant and the most widespread: Social Return on Investment or simply 'SROI'. The SROI model appears to be especially useful for linking social policy to the social investment market. Its 'unique selling point' is that it can quantify and ascribe monetary value to social value, and, in turn, calculate cost-efficiency and returns on investment.[32] In other words, it can attach financial values to social outcomes, but it can also do so in terms of a cost-saving calculus, something that businesses and governments concerned with reducing public deficit care about.

It is noteworthy how the language of scarcity and austerity seeps into discussions about social value. For example, one publication advising the third sector on the new policy of social value states that "social value is a way of thinking how scarce resources are allocated and used [...] if £1 is spent on the delivery of services, can that same £1 be used to also provide a wider benefit to the community?"[33] Consequently, by calculating and demonstrating the amount of social value they can produce, organisations tendering for government contracts compete with one another to provide the service in the most cost-efficient and cost-saving way. The successful tender will be the one that shows that it can maximise the return on each £1 invested. This enables a government to calculate how much it can save for every £1 invested in a social enterprise. The incentive for achieving rates of return is not about generating a surplus but about providing cost-savings to governments and to society. In this model, 'social problems' are costs – costs to governments, costs to welfare states, costs to taxpayers, costs to society – and, in times where funds are deemed to be lacking, costs have to be reduced.

What makes SIBs attractive then is the promise they wield in terms of their capacity not only to provide up-front financing for social interventions but to assist in achieving cost-savings for governments. One signif-

31 Morales, P. and Benton, N. (2014): 'Financial Inclusion and Social Investment', Big Society Capital Social Investment Insight Series, December 2014, https://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Investment%20Insights%20Financial%20Inclusion%20Dec%2014.pdf.
32 Wood, C. and Leighton, D. (2010), Measuring Social Value – the Gap Between Policy and Practice, London: Demos, p. 22.
33 Social Enterprise UK (2012): 'Public Services (Social Value) Act 2012 – A Brief Guide', http://www.socialenterprise.org.uk/uploads/files/2012/03/public_services_act_2012_a_brief_guide_web_version_final.pdf.

icant way that financial investors are paid a return is on the basis of the "future cashable savings"[34] a government is projected to make if and when the intervention is successful in achieving the stipulated outcomes. These could involve the reduction in the historical costs of delivering outcomes, such as by providing a service more cheaply; or they could be future cost-benefit calculations to governments or donors. This includes reducing the cost to the welfare state of people who are unemployed, unwell or elderly; reducing the amount of people using hospital beds or the amount of days a child spends in care services; and reducing the rate of re-offending. Savings could also be more abstract: projected cost-savings could be achieved by reducing the cost of so-called 'poorly adapted individuals' to society by transforming 'poorly adapted' individuals into 'well-adapted' individuals who commit fewer crimes, become less reliant on social services and benefit payments, and who find employment and therefore an income with which to sustain their livelihood.[35] In these cases, counterfactuals can be used to determine the projected future savings: proxies that can quantify what costs would have been incurred if the intervention had not been undertaken, possibly in relation to a control group.[36]

These stipulations raise questions with regard to the nature of the incurred savings. If counterfactuals are used to determine future savings, to what extent may we be looking at speculative as opposed to actual cost-savings? We do not even have to enter the realms of the speculative to identify some of the problems with this cost-saving model. Critical research on existing SIB projects has identified the difficulties of achieving actual cost-savings in practice. For example, the rehabilitation project funded by the Peterborough Prison SIB "successfully reduced reoffending, [yet] it failed to achieve a central goal of reducing costs. The result was that the state was nonetheless contractually required to pay returns to investors."[37] In order to subsidise these payments, additional funding had to be made available. In 2013, so-called 'top-up funds' were set up by the UK Government (Social Outcomes Fund) and the UK Lottery (Commissioning Better Outcomes Fund).[38] Not only did the project fail to reduce any costs, in light of this failure, the UK Government was still required to pay investors their returns, meaning that additional funds from taxpayers' money had to be used to pay investors. Even advocates of the social investment market have pointed out the "flawed logic of cashable savings."[39]

Like any other form of public debt, this model constitutes a form of redistribution of taxpayers' money to bondholders. In other words, while these initiatives may be privately financed they are nonetheless publicly funded. This amounts to nothing more than enabling private gain from the public purse – thinly veiled as social progress. Not only is it unclear whether cost-savings can be made, the political justification by which these savings are handed over to private investors is questionable. What is more, where cost-savings do not materialise, to fulfil what become legally binding contractual obligations to pay investors, governments are required to find additional funds, thus increasing public expenditure, as critics have shown.[40] A 2012 report by McKinsey on the implementation of SIBs in the USA describes how their stakeholder interviews revealed that "some thought there would be public backlash against SIBs as a 'privatisation' of government savings – that SIBs would be tantamount to giving government savings away to wealthy investors. Government officials we interviewed believe, however, that a well-managed communications process would help avoid this issue."[41] This would suggest that the issue, at least for those government officials who were interviewed for the report, is not to question 'privatisation' but merely to find ways of making it appear legitimate.

---

34 Bridges Ventures (2014): 'Choosing Social Impact Bonds: A Practitioners' Guide', http://bridgesventures.com/choosing-social-impact-bonds-practitioners-guide/, p. 8.

35 See also Burmester, M. / Wohlfahrt, N.: 'Der soziale Wirkungskredit – die Lösung sozialer Probleme durch wirkungsorientiertes Investieren?' in: neue praxis (np), Heft 6, 2015, pp. 559–57.

36 See Ibid. for further discussion.

37 Ogman, R. (2016): 'Social Impact Bonds: A "Social Neoliberal" Response to the Crisis?', in: Barbara Schönig and Sebastian Schipper (eds.): *Urban Austerity: Impacts of the Global Financial Crisis on Cities in Europe.* Berlin: Theater der Zeit.

38 Cabinet Office (2013): 'Social Impact Bonds – Detailed Guidance', https://www.gov.uk/social-impact-bonds/. For a detailed critique, see Harvie, D. and Ogman, R. (forthcoming, 2016): 'Das Versprechen des wirkungsorientierten Investierens: war der Peterborough-SIB ein Erfolg?' in Burmester, M., Dowling, E., Wohlfahrt, N. (im Erscheinen): *Neue Wege der Finanzierung der Sozialwirtschaft? Kapital finanzierte soziale Dienste und ihre Folgen für die Soziale Arbeit,* Schneider Verlag Baltmannsweiler.

39 Brown, A. (2013): 'The Flawed Logic of Cashable Savings Risks Undermining Social Impact Bonds', Pioneers Post, 29 July, https://www.pioneerspost.com/comment/20130729/the- awed-logic-of-cashable-savings-risks-undermining-social-impact-bonds/.

40 Harvie, D. and Ogman, R. (2016): 'Das Versprechen des wirkungsorientierten Investierens: war der Peterborough SIB ein Erfolg?' in Burmester, M., Dowling, E., Wohlfahrt, N. (2016): *Neue Wege der Finanzierung der Sozialwirtschaft? Kapital finanzierte soziale Dienste und ihre Folgen für die Soziale Arbeit,* Schneider Verlag Baltmannsweiler.

41 McKinsey & and Co. (2012): 'From Potential to Action: Bringing Social Impact Bonds to the US', http://mckinseyonsociety.com/downloads/reports/Social-Innovation/McKinsey_Social_Impact_Bonds_Report.pdf/, p. 37.

WHO BEARS THE RISK?

Given that bondholders risk losing all of their investment if the social outcomes are not achieved, SIBs are investments with a high risk. Governments seeking to promote SIB-investments argue that SIBs transfer the cost of the risk that a project will not achieve its stipulated outcomes away from the government (and thus the public or society at large) to the private sector. This, advocates argue, is to be welcomed.[42] However, as the previous discussion of cost-saving shows, in effect the state steps in to mitigate this risk and thus contributes to enabling investors to achieve substantial returns in a general climate of low interest rates.[43]
Risk management is at the core of finance. Other risk management strategies in the social investment market include the lack of guaranteed capital provision over the life of the SIB, the fact that draw-down is staggered to mitigate underperformance; the existence of a phased service delivery over discrete cohorts, and the ability of investors to replace service providers and implement yearly contracts.[44] Investors can even pull out of projects in the face of uncertainty about repayments and returns, as happened in 2015 with Goldman Sachs in the case of a recidivism project at Rikers Island Penitentiary.[45] Indeed, Bloomberg Philanthropies had guaranteed 83% of the loan provided to the project, amounting to USD 6 million.[46]

Another way for investors to manage risk lies in the pricing and trading of risk through securitisation. A Social Stock Exchange[47] was set up in the UK in 2013 to enable investors to raise capital, although there is as yet no secondary market for social impact bonds. Nonetheless, the UK Government[48] and Big Society Capital[49] wish to create a market for securities in the longer term. Financial advisors and traders are also discussing this,[50] along with the City of London, which foresees implementation at a future date.[51] Critics have argued that this secondary market could provide exit options for private investors and "allow [them] to trade investments enabling further scope for profiteering, the transfer of financial assets offshore and potentially leading to the creation of new financial derivatives to attract new tranches of private investors and/or increase profits."[52]
It seems obvious that if such developments were to go ahead, they would place significant realms of social life – and what is more, the lives of many of the most disadvantaged people in society – at the behest of the systemic imperatives of financial markets: the discipline of financial yield in a global market and the volatilities of financial trading. Moreover, this may lead service providers in the third sector, who are under pressure to produce demonstrable outcomes, to select high-value or low-cost customers who are more profitable to serve or simply "avoid the treatment of harder-to-help clients."[53]

42 Social Finance (2014): 'A New Tool for Scaling Impact: How Social Impact Bonds to Mobilise Capital to Advance Social Good', http://www. social nance.org.uk/wp-content/uploads/2014/05/small.SocialFinanceWPSingleFINAL.pdf/, p. 10.
43 Cohen, R. and Sahlman, W. (2013): 'Social Impact Investing Will Be the New Venture Capital', Harvard Business Review, January 17, https://hbr.org/2013/01/social-impact-investing-will-b/.
44 Bridges Ventures (2014): 'Choosing Social Impact Bonds: A Practitioners' Guide', http://bridgesventures.com/choosing-social-impact-bonds-practitioners-guide/, p. 24.
45 See The City of New York Office of the Mayor (2012): 'Fact Sheet: The NYC ABLE Project for Incarcerated Youth', http://www.nyc.gov/html/om/pdf/2012/sib_fact_sheet.pdf/, p. 2.
46 Cohen, D. and Zelnick, J. (2015): 'What we learned from the failure of the Rikers Island Social Impact Bond', Nonprofit quarterly, August 7 2015, archived at: https://nonpro tquarterly.org/2015/08/07/what-we-learned-from-the-failure-of-the-rikers-island-social-impact-bond/.
47 See http://socialstockexchange.com/.
48 Disley, E., Rubin, J., Scraggs, E., Burrowes, N., Culley, D., (2011): 'Lessons Learned from the Planning and Early Implementation of the Social Impact Bond at HMP Peterborough', RAND Europe, Research Series 5/11, UK Ministry of Justice.
49 Edmonds, T. (2015): 'Big Society Bank/Capital,' House of Commons Briefing Paper No. 05876. Available from: http://www.parliament.uk/briefing-papers/sn05876.pdf/.
50 See: http://www.socialenterpriselive.com/section/socialinvestment/money/20110906/how-the-market-can-turbo-charge-social-impact-bonds/.
51 City of London Corporation (2015): 'Developing a Global Financial Centre for Social Impact Investment' (authored by Price Waterhouse Cooper): http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/research-2015/Developing-a-global-financial-centre-for-SII.pdf/.
52 Whitfield, D. (2015): 'Alternative to Private Finance of the Welfare State – A Global Analysis of Social Impact Bond, Pay for Success and Development Impact Bond Projects',: http://www.european-services-strategy.org.uk/publications/essu-research-reports/alternative-to-private-finance-of-the-welfare/alternative-to-private-finance-of-the-welfare-state.pdf/, p. 71.
53 Ibid., p. 33.

THE VIEW FROM FINANCE

Corporate interest in social investment is set to increase.[54] This raises questions as to the extent to which any ethical motivation to accept lower financial returns in lieu of achieving social benefits would be able to trump the need for market-rate returns. The biggest barriers to further expansion from the perspective of finance are the lack of liquidity, products, information and experience, as well as insufficient regulatory architecture and skilled professionals. According to a recent report, the City of London Corporation is seeking to improve regulatory and fiscal frameworks and has developed a 'Buy Social Directory' that promotes business volunteering within social enterprise and develops investment readiness so that social sector organisations can take on social impact investment finance. The report also suggests that the sector needs to attract further skilled labour and stimulate supply and demand while lowering transaction costs. According to the report, the social investment market still needs a more diverse investor base, including retail investors as well as pension funds.[55] Recent initiatives include attempts to attract investment from pension funds through the introduction of 'social pension funds'[56] as well as the promotion of social investment through marketing campaigns such as 'social Saturdays'[57] that seek to involve ordinary people in this kind of social or community investing.

COMMUNITY EMPOWERMENT OR UNPAID LABOUR?

Soliciting broad involvement in this new market is not limited to the task of attracting investment; it also means fostering the active participation of communities and individuals in projects and initiatives. Here, the reliance on volunteers is a key aspect of these developments, from the emphasis on community engagement to deploying service users or beneficiaries themselves as volunteers. For example, the Peterborough SIB project involved "seven full-time staff, three part-time and 56 volunteers in the prison and the community."[58] This amounts to five times more volunteers than paid staff. However, the use of volunteers also means the deployment of unpaid labour (often with limited professional training), raising the spectre of deprofessionalisation, pay decreases, worsening working conditions and the circumvention of trade unions in the process. For example, the UK public sector union UNISON is "very concerned that SIBs are being promoted in the UK public sector. The nature of SIBs means they no longer remain public mission orientated but become driven by for a private investor and the link to local community needs is lost with a democratic deficit."[59] This democratic deficit also pertains to the lack of decision-making power that employees, volunteers and service users have with regard to the design and implementation of the projects. Despite a general emphasis to the contrary by advocates, recent research has found the involvement of employers, service users and trade unions for the most part to be systematically absent.[60] This failure to consider the views and perspectives of employees, volunteers and service users is another way that labour is devalued and made invisible. However, it is not simply the lack of consultation or the reliance on volunteer labour (promoted as a social good in and of itself) that indicate concerns for labour issues. The very metric of social value can obscure the labouring inputs that go into the provision of a service if these are recoded as outputs. Think of the kinds of social activities that might be required to produce social value outcomes such as the fostering of social cohesion, enhancing community engagement or promoting civic-mindedness. All these activities are also forms of labour, they are the work that goes into the very making of society: providing community services like cleaning up the streets in the local neighbourhood, spending time with a lonely neighbour, helping a refugee child to learn

54 JP Morgan Chase and the Global Impact Investing Network (2016): 'Sixth Annual Impact Investing Report', https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf/.

55 City of London Corporation (2015): 'Developing a Global Financial Centre for Social Impact Investment' (authored by Price Waterhouse Cooper): http://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/research-2015/Developing-a-global-financial-centre-for-SII.pdf/.

56 Keohane, N. and Rowell, S. (2015): 'Good Pensions – Introducing Social Pension Funds to the UK', The Social Market Foundation, http://www.smf.co.uk/wp-content/uploads/2015/09/Social-Market-FoundationSMF-BSC-030915-Good-Pensions-Introducing-social-pension-funds-to-the-UK-FINAL.pdf/.

57 Jones, R. (2014): 'Social Saturday: A chance to invest from post offices to solar for schools', *The Guardian,* 13 September, https://www.theguardian.com/money/2014/sep/13/social-saturday-invest-community.

58 Whitfield, D. (2015): 'Alternative to Private Finance of the Welfare State – A Global Analysis of Social Impact Bond, Pay for Success and Development Impact Bond Projects', http://www.european-services-strategy.org.uk/publications/essu-research-reports/alternative-to-private-finance-of-the-welfare/alternative-to-private-finance-of-the-welfare-state.pdf/, p. 60.

59 Allison Roche, UNISON Policy Officer, email communication 6 June 2016. See also Unison (2016): 'Unison Annual Report 2015/2016', https://www.unison.org.uk/content/uploads/2016/04/23784.pdf/, p. 14.

60 Whitfield, D. (2015): 'Alternative to Private Finance of the Welfare State – A Global Analysis of Social Impact Bond, Pay for Success and Development Impact Bond Projects', http://www.european-services-strategy.org.uk/publications/essu-research-reports/alternative-to-private-finance-of-the-welfare/alternative-to-private-finance-of-the-welfare-state.pdf/, p. 34.

the local language, bringing elderly people together with teenagers to combat isolation and loneliness in old age and providing mentors for young people. If these are social activities that are coded as having intrinsic social value, they become ends in themselves and the social outcome of projects; they are no longer understood as inputs, that is, as labour costs. Instead the labour involved in these activities is obscured and its cost is 'saved' by externalising it to society. In other words, while governments and service providers may make savings, the cost of that work does not evaporate. Instead it is off-loaded onto the unpaid realms of society and onto individuals and communities – and financial profits can still be made.[61] The link that is being created between civic engagement and financialisation is resonant in the overlap between the name of the bank set up in the UK to facilitate the growth of the social investment market – 'Big Society Capital' – and former British Prime Minister David Cameron's 2009 appeal for a 'Big Society'.[62] Ostensibly aimed at devolving power 'from the state to the people' so that communities can become more involved in the organisation and delivery of previously public services, the Big Society slogan sought to mobilise people's affective capacities for empathy and concern for one another to engage in social care, child care or eldercare, run local libraries and deal with unemployment, tackle poverty and inequality and increase general well-being. Off the back of further welfare state retrenchment and privatisation, the state was supposed to retreat (even further) from managing, funding and delivering public services. Instead, voluntary organisations and local communities were now supposed to take on more of this work and to welcome this as community empowerment. While the discourse of the 'Big Society' has largely been discredited, because it was widely criticised as nothing more than a smokescreen for austerity, its aims and objectives live on in the social investment market.[63]

CONFRONTING THE SOCIAL TURN OF FINANCE?

Are governments not right to be concerned with achieving a more cost-effective service provision and addressing social problems, especially in times of crisis and austerity, where social need is great and inequality is rising, but where monetary resources are scarce? Some interpret this scarcity as a result of government over-spending (a right-wing reading), others point to the erosion of the tax base that has resulted from bank bailouts in the short-term and regressive taxation or corporate tax evasion in the longer-term (a left-wing reading), while, overall, there is a consensus that social and healthcare needs are increasing due to population changes such as ageing or migration.[64] Where demand meets the lack of funds, the social investment market is supposed to enable the private sector to assist by providing the much-needed financial resources to fund social interventions and programmes at both government and community levels.

So, should the social turn of finance not be welcomed? Is it not a good thing for financial investors to be concerned with the social consequences of their investments – and what is more – actively invest in socially beneficial projects, processes and services? On the surface, it might well sound like a good idea – and if a choice had to be made, who would not rather that investors put their money towards good causes than ones that cause harm? Certainly, providing resources to fund nursery schools, community projects or help elderly people is much better than – say – funding harmful products or contributing to environmental degradation, and no doubt many individuals involved in social investment genuinely wish to achieve socially beneficial outcomes. Yet, this is beside the point: to present the issue as a moral one that makes a simple distinction between 'good' and 'bad' finance would mean setting up false polarities. It would gloss over the question of what happens when the logics of finance – that have at their heart the need to invest for the purpose of making a financial profit – are applied to social domains. As this report has sought to show, there is a need to think beyond the notion of finance simply as a monetary resource that can be put to 'good' or 'bad' use. Instead, it is paramount to understand how the mechanisms of financialisation come to shape social relations in their image and the consequences of this. Moreover, it is necessary to address not the symptoms but the political and economic conditions that produce and exacerbate inequality, mental health problems, social crisis and social need.

---

61 For further discussion of this, see Dowling, E. and Harvie, D. (2014): 'Harnessing Social Value: State, Crisis and (Big) Society', Sociology 48(5), pp. 869–886.

62 The vision of a 'Big Society' was set out by David Cameron in his Hugo Young Lecture on November 10 2009 during the British election campaign. A key excerpt can be viewed here: http://www.theguardian.com/politics/video/2009/nov/10/david-cameron-hugo-young-lecture/.

63 Ibid.

64 This last point is the view of the German National Advisory Board of the G8 Social Investment Taskforce. The Board is clear that in Germany's case, social investment should *not* be linked to an austerity agenda (NAB (2014), 'Wirkungssorientiertes Investieren: Neue Finanzierungsquellen zur Lösung gesellschaftlicher Herausforderungen,' Abschlussbericht Deutschland, G8 Social Investment Taskforce, http://www.socialimpactinvestment.org/reports/Abschlussbericht%20NAB%20Deutschland.pdf/.

It is surely a positive development that governments seek to devolve more power to the local level, thereby wishing to empower citizens and foster more participatory local and municipal democratic processes. But again, if we take a closer look at the logics at play, as this report has done, the question becomes not whether the government is devolving responsibility onto local communities, but how, on whose terms and to what effect. Moreover, even if an argument could be made for the use of market mechanisms to promote social innovation, in practice the social investment model has mostly been orientated towards corporate interests. This is highlighted by a recent report by the UK-based Alternative Commission for Social Investment. In principle, the Commission states that it welcomes the investment in 'social good.' However, it criticises the dominance of corporate financial interests and their modus operandi, which, it argues, undermines the original ethos of social investment. The narrow focus on social investment as an asset class is one problem, as is the fact that there is not enough direct finance available for social sector organisations. In addition, the Commission points to a lack of transparency with regard to commissioning, procurement and the allocation of funds.[65] Big Society Capital responded in autumn 2015 by improving its transparency through greater and more in-depth reporting of its procedures and decision-making.[66] These developments follow on from a public inquiry into the misuse of public funds given to the organisation Big Society Network by the Cabinet Office in 2014.[67] Nonetheless, the critiques of social investment discussed in this report would suggest that greater transparency in the provision of funding is not enough to address the ways in which these processes of financialisation comes to shape politics and society as the social investment market expands. To do so, we must take a closer look at the mechanisms of financialisation and their social, economic and political effects. By way of conclusion, this report discusses the specific characteristics of privatisation that characterise the social turn of finance and offers some contrasting considerations for challenging and reorientating these developments.

SOCIAL JUSTICE VS. THE PRIVATISATION OF PUBLIC FUNDS

The social turn of finance as discussed in this report rests on three vectors of privatisation. The first vector is the privatisation of public funds that occurs when the resolution of social problems is routed through business models and financial markets. As has been argued, the social turn of finance rests as much on capital's need for new investment opportunities as drivers of accumulation as it does on the need for financial resources to fund social interventions. While the argument for growing the social investment market rests on the assumption that markets are more efficient providers of social and public goods, this report has discussed the ways in which notions of 'efficiency' are linked to a cost-saving agenda that risks eroding working conditions and pay while also relying on unpaid volunteer labour. Moreover, so far it seems that the use of SIBs has been geared towards facilitating the transfer of wealth from the public purse to private hands where interest payments to private bondholders are taken from cost-savings made to the welfare state or to local council budgets. Further-more, as early pilots in SIB-financing in the UK did not yield the expected returns, the UK government and the National Lottery have set up additional top-up funds to fulfil the contractual obligation of paying investors when cost-savings are not actually achieved. What does an affirmative model of public service provision call for today to guarantee equal life chances for all while also addressing the causes of social inequalities and transforming the social and economic structures that produce and reinforce such inequalities?

ALTERNATIVE FINANCIAL LITERACY VS. THE PRIVATISATION OF SOCIAL SOLIDARITY

A second vector is the privatisation of social solidarity. At least in their current form and especially in the context of Britain, the introduction of SIBs into welfare policy has reinforced a welfare state model that emphasises the imperative to reduce welfare state dependency and costs. This constructs the very idea of a welfare state as a burden to society, revealing its particular ideological underpinnings in continuing the neoliberal project of dismantling public services and welfare provisioning, as emphasised in one of the key documents that underpin these developments – the Open Public Services White Paper (2011) – where it is stated that 'in a world rendered so much more competitive by globalisation [...] every pair of idle hands,

65 Report of the Alternative Commission on Social Investment (March 2015) archived at http://socinvalternativecommission.org.uk/
66 See http://www.bigsocietycapital.com/transparency/.
67 The Independent: 'Fresh inquiry will examine public funding of defunct charity with links to PM', 17 October 2014, archived at http://www.independent.co.uk/news/uk/politics/fresh-inquiry-will-examine-public-funding-of-defunct-charity-with-links-to-pm-9802932.html/.

every mind left uncultivated, is a burden on all society as well as a weight on our conscience.'[68] Many of the interventions currently funded by social investment seek to justify the further retrenchment of the welfare state and produce a certain kind of social subject: the overwhelming majority of projects intervene in society to shape people's behaviour or attitudes in order to reduce the need for welfare entitlements or health and social services. In addition, many of the current social interventions funded by SIBs target those individuals who are considered as not adapting appropriately to the demands of a neoliberal society with the aim of changing individual attitudes and behaviours as opposed to addressing the structural causes and unequal power relations that perpetuate social inequality and exacerbate social problems.

At the same time, much of the discourse of social investment is couched in terms of community empowerment and citizen engagement. These are sentiments that are often understood as pillars of collective social responsibility. However, the social responsibility invoked here is not a public one that commits to social provisioning through the public institutions of the state based on a set of generalised entitlements afforded to its citizens (and residents). And even where it shifts from the focus on individual responsibility to a more collective one in the context of community businesses and municipal initiatives, it nonetheless remains private, partial and voluntary in its orientation, reinforcing the neoliberal mantra of personal responsibility. Furthermore, a number of social investment projects focus on improving financial literacy, such that people will actively endorse financialisation and participate in financial markets as responsible borrowers as well as lenders. As household and personal indebtedness increases and the limits of debt-fuelled growth become evident, what might a financial literacy programme look like that could counter the ways in which livelihoods are being put at the service of financial extraction?

DEMOCRACY VS. THE PRIVATISATION OF PUBLIC INTERESTS

A third vector is the privatisation of public interests characterised by the reliance on the personal motivations and voluntary commitments of non-state actors for the resolution of social problems. This encourages a view of public interests as derivative of private ones, where social values are determined by private entrepreneurial activity. More often than not, it is entrepreneurs and/or wealthy philanthropists with the means to do so. This means that increasingly individuals impose their particular vision of what constitutes social value and thus, what society should look like. They decide on how much money they want to allocate to the social causes they deem worthy – and in future, perhaps, increasingly profitable. What happens to the notion of public interests in the face of such developments? Following what Randy Martin termed the 'social logic of the derivative', we can see that finance's social turn gestures towards a politics of "incorporation" rather than "mobilisation".[69] The distinguishing feature of the social investment market is that society is not an external entity to take from or give back to, as is the case with more conventional forms of corporate social responsibility or philanthropy. In a social investment market, society is a source of wealth to be harnessed. While social and impact investing is being operationalised at the level of the welfare state, it is also being rolled out across local municipalities and communities as a market-orientated form of municipalisation with new community business models and plans to extend the involvement of ordinary people through pension funds and crowd-funding initiatives.

On the one hand, the process-orientated approach of determining social outcomes and values syncs with an emphasis on grassroots and participatory democracy understood as the consideration of the specific requirements of communities or groups in determining what specifically constitutes social or environmental value for them in their particular context. On the other hand, the emphasis on new business models for commodifying social value points to the limits of such processes and the way that certain logics, for example, that of markets and financial investment, come to dominate the shape and form of initiatives, the ownership models, revenue generating activities and the need to (re)pay investors. This kind of corporate municipalism risks subsuming democratic decision-making and collective ownership at the behest of competition and commodification, consequently limiting the possibilities of democratic governance to the confines of business models.

68 David Cameron and Nick Clegg (2011): Open Public Services White Paper, p. 4, archived at https://www.gov.uk/government/uploads/system/uploads/attachment_data/ le/255288/OpenPublicServices-WhitePaper.pdf.
69 Martin, R. (2015): 'Knowledge Ltd. – Towards a Social Logic of the Derivative', Temple University Press. See also Martin, R. (2002), 'The Financialization of Daily Life', Temple University Press.

Running counter to the development of models for quantifying, measuring and monetarising social and environmental values are anti-privatisation campaigns calling for remunicipalisation – the return of assets that have been privatised to public/state ownership and, more specifically, the local municipality outside of market relations.[70] In the wake of economic crisis and the imposition of austerity measures, in the UK (as well as elsewhere) the amount of unpaid reproductive labour and care work has risen to compensate for reduced access to welfare services and falls in income.[71] At the same time, the social and care sectors (which have a predominantly female and often migrant workforce) continue to be significantly affected by low pay and precarious working conditions. It has not been a coincidence that many social struggles in Europe have challenged rising social inequality as well as social need, from housing and utilities to social care, healthcare and migrant rights. Here lies a fault-line of political mobilisation to bring about real change – on the one hand against further rounds of marketisation, privatisation and dispossession and the increased reliance on unpaid and underpaid work, on the other hand for the creation of new social infrastructures premised on common access and inclusive and democratic decision-making as an alternative to finance capital's expanding power to shape the contours of society.

70 See for example the campaigns for water remunicipalisation: Lobina, E., Kishimoto, S. and Petitjean, O. (2014): 'Here to Stay: Water Remunicipalisation as a Global Trend', published by PSIRU, TNI and Multinationals Observatory, https://www.tni.org/files/download/heretostay- en.pdf/.
71 Oxfam (2913): 'The True Cost of Austerity and Inequality', https://www.oxfam.org/sites/www.oxfam.org/files/cs-true-cost-austerity-inequality-uk-120913-en.pdf.