(Big) Society and (Market) Discipline:
Social Investment and the Financialisation of Social Reproduction

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Abstract

The United Kingdom is at the forefront of a global movement to establish a social investment market. At the heart of social investment we find finance – and financialisation. Specifically, we find: a financial market (the social investment market); a series of financial institutions (Big Society Capital, for example); a financial instrument (the social impact bond); and a financial practice (social investing). Focusing on the UK, given its pioneering role, this paper first provides a brief history of social investment, tracing its development from the politics of the 'Third Way' to the social impact bond. It then maps the terrain of the social investment market, explaining the main institutions and actors, and the social impact bond. Finally, it proposes a framework for analysing the disciplinary logics of finance, which it uses to understand the promise or threat (depending on one's perspective) of social investment and the social investment market.

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Introduction

From its launch in November 2009, when he was still leader of the opposition, UK prime minister David Cameron's 'Big Society' burned very brightly, casting its light – though perhaps more blinding than illuminating – over debates into the deep 'moral crisis' afflicting 'Broken Britain'.[1] But 'the light that burns twice as bright burns half as long'.[2] By early 2012 – around the time Steve Hilton, one of its most zealous proponents, resigned as Cameron's director of strategy – the Big Society seemed to have burned itself out, ridiculed by the media, many other politicians and the anti-austerity protests that marked the early years of Cameron's premiership.

But just as it was becoming extinguished as discourse, the Big Society was being more firmly established as political economy. Hilton quit his job and the country, in March 2012; April 2012 saw the launch of Big Society Capital. Recognising that '[s]ocial sector organisations play a critical role in our communities and in our society', Big Society Capital's mission is to 'transform the supply of capital to social organisations in the UK. We want to help ambitious social enterprises grow and better evidence the value they are creating'.[3] In other words, Big Society Capital's focus is the very activities and actors so emphasised in the discourse or ideology of the Big Society. In fact, both in its diagnosis of the problems facing Britain – social exclusion, poverty, 'moral decline', economic stagnation, failing/inadequate services and opportunities for young people – and in its prescription for addressing these problems – social 'enterprise', the harnessing and valuing of civic ethics and voluntary labour – there appeared to be many similarities, at least in their respective rhetorics, between the burned-out Big Society of David Cameron's Hugo Young lecture and Big Society Capital.

Although it has received some media attention, Big Society Capital has not burned even half as brightly as its more discursive sibling. Yet, along with associated institutions, practices and instruments, Big Society Capital has the potential to transform the fabric of British society in a far more long-standing and fundamental way. Its focus is indeed the socially-reproductive activities, many of them involving 'voluntary', unwaged labour, that take place in communities up and down the country, what it might term 'social enterprise'. Big Society Capital seeks to support such activities in a very specific way, namely through *social investment*: its strapline is 'transforming social investment', while its twin primary objectives are 'to be a powerful force in transforming the social impact investment market in the UK' and 'to champion the development of the social impact investment market through spreading knowledge, defining effective approaches and informing government policy'.[4]

At the heart of social investment we find finance – and financialisation. Specifically, we find: a financial market (the social investment market); a series of financial institutions (Big Society Capital, for example); a financial instrument (the social impact bond); and a financial practice (social investing). To understand social investment then, we must understand finance and its logic. The logic of finance is a disciplinary logic, a logic whereby the productive

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[1] Cameron introduced the concept in his Hugo Young lecture, delivered in London on 9 November: 'Our alternative to big government is the big society. But we understand that the big society is not just going to spring to life on its own: we need strong and concerted government action to make it happen. We need to use the state to remake society.'

[2] The line is from Ridley Scott's film *Blade Runner* (Warner Bros., 1982).

[3] Big Society Capital 2012, p. 7.

[4] Big Society Capital 2012, p. 4.

activities of human beings – across sector, across space, even across time – are made commensurable with one another, are pitted against one another in a competitive struggle and are thereby disciplined. The promise or threat (depending upon one's perspective) of social investment (or social finance) is to extend such a competitive, disciplinary logic into an entirely new, social realm.

In this paper I first review the history of social investment, tracing its development from the 'Third Way' and 'social investment state' through to the nascent social investment market and its key innovation, the social impact bond. Next I survey the terrain of the social market, as it currently exists in the UK, identifying the key actors and institutions and explaining the workings of the social impact bond. Finally I outline an analytical framework for understanding the way in which finance's disciplinary logic operates, before suggesting how the social investment market and the social impact bond will extend this disciplinary logic deeper into society, further into the realm of 'the social'.

The paper's focus is the United Kingdom. This is because the UK is pioneering the creation of the social investment market: more than half of the 50-plus social impact bonds currently in operation are in the UK. But the movement is global. The UK is not only leading the way in terms of numbers of projects; it also used its presidency of the G8 in 2013 to establish a Social Impact Investment Taskforce, which in 2015 morphed into a Global Social Impact Investment Steering Group, whose membership includes 13 countries plus the EU. Lessons from the UK experience have global relevance; the analysis developed here should be of concern to an international audience.

1. A brief history of social investment

1.1 From welfare state to social investment state

We can trace the idea of social investment as far back as 1956. In *The Future of Socialism*, academic and Labour Party politician Tony Crosland argued that, '[t]he right way, in the field of social expenditure, is a generous, imaginative, long-term programme of social investment'.[5] Later, the idea was taken up by Anthony Giddens, whose thinking played an indispensable role in the New Labour project of the 1990s. Giddens was responding to the profound transformations that many Western economies underwent in the 1980s, spearheaded by the United Kingdom (under successive governments of Margaret Thatcher) and the United States (under Ronald Reagan). During this decade, and beyond, governments initiated neoliberal programmes of privatising state industries, state spending was cut – particularly in areas of social services – and many state-provided services (in areas such as health and education) were subjected to processes of marketisation. The state retreated from its earlier role in ensuring social reproduction, while the ability of markets to better serve human needs was celebrated.[6] This shift in perspective was well characterised by Thatcher's declaration that 'there is no such thing as society' or Reagan's 'government is not the solution to our problem; government is the problem'.

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[5] Crosland 1956, p. 148.

[6] By social reproduction I broadly mean the ability of individuals, households and communities to reproduce themselves and their livelihoods. Under the capitalist mode of production, social reproduction has a dual character, pertaining to the (re)production of both life and the commodity labour-power. Capital's interest is in the reproduction of labour-power (with the appropriate skill sets, proclivities and so on); humans generally have different interests, which exceed this narrow understanding. See Brown et al. 2013, especially pp. 77–81 and the references cited therein.

Giddens's response was to propose a 'Third Way', an alternative model between and beyond both the post-war welfare state and neoliberalism. This required that the Left 'get comfortable with markets' and that the welfare state be reconstructed as a 'social investment state'.[7] We can see Giddens's influence at work in the reports of the Commission on Social Justice, established in 1992 by then Labour leader John Smith. In 1994, the Commission proposed a vision of an 'Investors' Britain', arguing that 'it is through investment that economic and social policy are inextricably linked'.[8]

While, in Britain at least, the social-democratic Left was struggling to adjust to neoliberalism's apparent triumph, the deleterious effects of many neoliberal policies were becoming clearer to other actors. Through the 1990s, the OECD, for example, published a number of reports – *New Orientations for Social Policy* (1994), *Societal Cohesion and the Global Economy: What Does the Future Hold?* (1997), *A Caring World* (1999) – flagging up some of these effects and attempting to address the role of the state in social reproduction. Central here was a deep reframing of the state's role in the sphere of social reproduction. Social expenditure, on education or health say, is no longer understood as spending on a consumption good, that brings social benefits, whether to individuals or to society, in the present. Nor is it understood as redistribution, which might weaken economic incentives and thus inhibit wealth generation. Instead social spending is conceived as investment, as spending that will yield a return, whether economic or social, in the future. It is conceived of as a potential driver of economic growth and development. The temporal element of such spending is made far more explicit in this reframing. Moreover any mention of future return begs the questions of rate of return and the way rates of return might be measured. For social-investment policy-makers these questions lay in the future; I return to them later in the paper.

Thus, in this new regime social policy is understood as a productive factor, as investment for the future and not as social protection.[9] Associated with this, governments pursued so-called activation policies, whose objective have been to increase the proportion of the working-age population in employment – here, though, the welfare-state goal of full employment is replaced by employability. Such policies have included innovations in childcare as a social investment, supposedly working on three levels: (i) mitigating the long-term (potentially lifetime) effects of childhood poverty; (ii) enabling the 'activation' of parents, especially mothers; and (iii) preparing children for labour markets of the future.[10]

John Smith died in May 1994, five months before his Commission on Social Justice published its final report. Tony Blair, his replacement as Labour leader, was, of course, another 'moderniser' and, when elected in 1997, 'New' Labour, under the leadership of Blair and chancellor Gordon Brown, began putting this social investment approach into practice. Numerous institutions and schemes directed at children and young people – good investments for the future – were launched: 'Sure Start'; 'New Deals for Young People'; 'Connexions'; the 'Childcare Strategy'; and so on. Social exclusion and poverty were also addressed, but through education and work, with the emphasis being one of integrating people into labour markets, redistributing opportunities rather than income. Groups that 'missed out' included 'those who cannot work, those who do not have children, asylum seekers and social

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[7] Giddens 2000, pp. 34 & 52.

[8] Commission on Social Justice 1994, p. 97.

[9] Esping-Anderson, Gallie, Hemerijck and Myles 2002, p. 9; quoted in Jensen 2006, p. 33.

[10] Jane Jensen 2006, p. 37.

movements tarred … with the brush of past identity politics such as unions and the women's movement', that is, groups and individuals deemed poor investments.[11]

The rationale between these policies was summarised in 2000 by key Blair advisor David Miliband: 'Increasingly, social policy has economic implications. … Work, welfare and family policy need to be mutually reinforcing [because inequality is no longer merely a cost but has become] a constraint on economic development'.[12]

The transformation from welfare state to social investment state has been theorised in several competing ways. For Giddens, of course, it represents a literal 'third way', an alternative to neoliberalism that does not involve 'going back' to the Keynesian welfare state. Jane Jenson holds a similar view, as do Morel et al, who posit an 'after neoliberalism' phase, and Perkins et al., who suggest that the social investment state takes us 'beyond neoliberalism'.[13] By contrast Perry Anderson, has described the Third Way as merely 'the best ideological shell of neo-liberalism today'.[14] Others have argued that the social investment approach represents not only as a continuation of neoliberalism but a development and deepening of it. Porter and Craig, for example, suggest that the new regime is best described as one of 'inclusive liberalism', while Bob Jessop theorises the shift as one from the welfare state to the 'workfare state'.[15] I do not attempt to review these debates in any detail here. Suffice it to say that I believe the social investment perspective represents a development and deepening of neoliberalism, a view that will become apparent when I discuss the social investment market and the disciplinary logics of finance in the paper's final substantive section.

1.2 From social investment state to social investment market

In 2004, Matthew Pike, director of the Scarman Trust, 'call[ed] for a government-run Social Finance Investment programme that would use pension fund contributions to finance public works while offering a guaranteed 9 per cent return and cutting income tax by 5p in the pound'.[16] *Financial Times* columnist Kevin Brown described the proposal as 'plain batty'. Batty or not, a decade on such a programme does not seem so far-fetched.

From 2000 onwards, we have seen the establishment of a panoply of 'task forces', commissions and institutions, along with the publication or passing of associated reports and, more recently, government White Papers and Acts, whose purpose is to develop a social investment market in the UK. These include, but are not limited to: the Social Investment Task Force (SITF; established in 2000); the social investment group Bridges Community Ventures (2002);[17] the Community Development Finance Association (2002), along with a series of Community Development Finance Institutions; *The Financing of Social Enterprises* (Bank of England 2003); the Commission on Unclaimed Assets (2005–2007); Social Finance (UK) Ltd (2007); *Putting the Frontline First: Smarter Government* (White Paper, 2009);

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[11] Perkins, Nelms and Smyth 2004, p. 9.

[12] Quoted in Timmins 2001, p. 611.

[13] Jenson 2010; Morel, Palier and Palme 2012; Perkins, Nelms and Smyth 2004.

[14] Anderson 2000, p. 11.

[15] Porter and Craig 2004; Jessop 2002.

[16] Brown 2004.

[17] The 'pioneering force' behind Bridges and one of its three executive directors is Michele Giddens, daughter of Anthony. (See http://www.theguardian.com/business/2003/may/27/publicservices.society)

Growing the Social Investment Market (Cabinet Office 2011); *Open Services* (White Paper, 2011); the *Localism Act* (2011); the *Public Services (Social Value) Act* (2012); Big Society Capital (2012).

We can detect a remarkable continuity and consistency of ideas in this history, running from the Social Investment Task Force, through the Commission on Unclaimed Assets to Social Finance and Big Society Capital. Also worth noting is that the various changes in government over the period have not resulted in any significant shifts in policy. The tropes – articulated in the Task Force's first report, *Enterprising Communities: Wealth Beyond Welfare*,[18] for instance, but repeated in the numerous reports, from various bodies, that have followed – can be summarised as follows.

Neoliberal capitalism has resulted in enormous wealth creation. It has also led to widening inequality and an increase in poverty. Poor people do not lack entrepreneurial skills – and this is not the cause of their poverty. What they lack is capital. Redistribution of wealth via the (welfare) state, whether to poor individuals or poor communities, although understandable and possibly even necessary in some cases, will never solve such problems and may even exacerbate them. What is instead needed is to encourage and harness the poor's entrepreneurial skill through finance/capital.

Over its ten-year lifetime, the Task Force, made a series of policy recommendations. In its final report it proposed 'three specific initiatives that will help define the future of social investment in the UK':[19] (i) to create institutions such as a social investment bank, part of the infrastructure 'necessary to create a dynamic market in social investment'; (ii) to create new financial tools and instruments, such as the social impact bond, to 'deliver social change'; and (iii) to use legislation such as a Community Reinvestment Act to 'engage' the financial sector to invest in disadvantaged areas. Within a year, similar proposals were being advanced from the very heart of government, with the Cabinet Office and the Treasury publishing a series of policy papers. *Growing the Social Investment Market: A Vision and Strategy* (published in 2011), for example, expounds on familiar themes.[20]

It contends that Britain faces a number of 'very stubborn and expensive' social problems (e.g. homelessness and 'fractured communities'), which require 'innovative solutions'. Such solutions are frequently provided by social entrepreneurs and 'the social ventures they lead'. These social ventures combine 'social mission with sustainable business models' and 'can do amazing things'; they 'generat[e] social value in a way that is financially self-sustaining'; not only is their power 'central to creating a bigger, stronger society – a Big Society', but 'social ventures are also making a big contribution to economic growth in what remains a challenging economic and fiscal environment, and can play an important role in helping to re-balance the economy'. However, 'social ventures … are often held back by bureaucracy and an inefficient financial market'; 'the key to better capitalised social ventures, and therefore greater social value, is more and better social investment'.[21]

The vision articulated here is ambitious. At its 'heart … is nothing less than a new "third pillar" of finance for social ventures, to sit alongside traditional giving and funds from the

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[18] Social Investment Task Force 2000, p. 4.

[19] Social Investment Task Force 2010, p. 2.

[20] Cabinet Office 2011; with annual progress reports.

[21] Cabinet Office 2011, pp. 11–15.

state', with 'the creation of a new "asset class" of social investment to connect social ventures with mainstream capital' and 'around £10 billion of new finance capacity' being 'unlocked'. If successful, there would be important implications for three sets of actors.

First, for social ventures and the 'social venture sector': individual social ventures would have better access to finance and the sector as a whole would grow both in terms of size and, importantly, 'dynamism'. In the words of the Cabinet Office's paper, there would be higher '"churn" – more new entrants to the market and more frequent changes among the "leader board" of the most successful social ventures'. What is not made explicit here – at least not at this point in the paper – is that 'churn' and 'frequent changes among the "leader board" involves not only new entrants but also *exit*. This is the *sin non qua* of market competition, its role in incentivising and disciplining social actors. I return to this in section 3.2. With more and faster-growing social ventures, more social value will be created for their users and customers, along with a greater 'contribution' to the economy. Second, for financial investors of all types – 'individual citizens', high net-worth individuals and philanthropists, charitable foundations and financial institutions – who will benefit from new investment opportunities – a 'new class of investment products'. Third, for central and local government and the public sector more generally, this vision will provide 'new opportunities for better procurement of goods and public services'.[22]

We see here the way in which social investment might address three crises: a crisis of social reproduction (more and more successful social ventures, creating more 'social value', i.e. responding to social problems); a crisis of capital accumulation or economic growth (social ventures both 'contributing' to the economy and becoming the source of financial return for investors); and the 'fiscal crisis of the state'[23] (better procurement of public goods and services).[24]

Growing the Social Investment Market's 'framework for action' again echoes many of the initiatives proposed by the Social Investment Task Force. These include: the extension and development of 'payment-by-results' in the provision of public services (e.g. through the use of Social Impact Bonds); various tax incentives to encourage social investment; support to social ventures to improve their 'investment readiness and business capability'; the development of better measures of social return; the development of secondary markets in social investment assets; and, of course, a 'big society bank', whose 'mission will be to catalyse the growth of a sustainable social investment market, making it easier for social ventures to access the finance and advice they need – at all stages of their development'.[25]

The social-investment vision is made quite clear in the paper's final chapter. 'Success will look like a bigger market… that works more efficiently'. This means the following: 'an increase in the overall amount of social investment'; 'the number of new social venture intermediaries and social ventures entering the market increases, contributing to an increase in the total number of social ventures, while allowing for *the failure and exit of some organisations*' (emphasis added); social ventures provide a greater proportion public services, while accounting for a greater proportion of both GDP and employment; 'better measurement systems' allow for more accurate quantification of social return and the rating of risk; finally,

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[22] Cabinet Office 2011, pp. 17–18.

[23] O'Connor 1973.

[24] This argument is outlined in Dowling and Harvie 2014 and developed in Harvie and Ogman XXXX.

[25] Cabinet Office 2011, pp. 29–35 & 37–44.

a necessity for operating in such an environment, 'more social ventures develop advanced skills in business and finance'.[26]

Much of this vision is already being realised. The social investment bank ('big society bank') is, of course, Big Society Capital, while already more than 30 social impact bonds have been launched in the UK (with a similar number elsewhere). I will survey this nascent social investment landscape in the next section. Before that, however, it is worth emphasising the role of the state in the creation of social investment institutions. As other scholars have argued, under neoliberalism, the role of the state is not diminished, but transformed and its activity is essential for not only the maintenance of markets, but also for their extension and creation.[27] As the Social Investment Task Force insisted: 'Government, at all levels, must play an active, enabling role.'[28]

2. Mapping the Social Investment Market

2.1 Actors and institutions

Over the past decade, the British state has put in place 'many essential elements of government support that underpin a functioning market'.[29] Three of these elements, all established in 2012, are: the Social Outcomes Fund, a £20m 'top-up' fund managed by the Cabinet Office, which is designed to financially support 'innovative new [payment-by-results] projects' that would otherwise not proceed;[30] the Investment and Contract Readiness Fund, a £10m fund run by the Office for Civil Society, intended to help 'social ventures to build their capacity to be able to receive investment and bid for public service contracts';[31] and, most important, the social investment bank, Big Society Capital, which was set up with funding from the four so-called Merlin banks, each contributing £50 million, and at least £248 million recovered from dormant bank accounts.[32] [33] Big Society Capital has a dual mission. First, to 'champion' social investment, increasing awareness of and confidence in social investing, promoting best practice and improving links between the social investment and mainstream financial markets. Second, to act as an investor, financially supporting 'social investment financial intermediaries' (discussed below) and 'effectively and efficiently channel[ling] appropriate and affordable capital to the social sector'.[34]

The other body that has played an important role in championing social investment and the social investment market is Social Finance, set up in 2007 'to understand the funding shortfall faced by the social sector' and 'to help build a social investment market in the UK'. Since then it claims to have 'pioneered the Social Investment Bank, Social Impact Bonds,

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[26] Cabinet Office 2011, pp. 47–48.

[27] See, for example, Martin 2002, or Mirowski 2013.

[28] Social Investment Task Force 2000, p. 4.

[29] Cabinet Office Cabinet Office 2014.

[30] http://blogs.cabinetoffice.gov.uk/socialimpactbonds/outcomes-fund/

[31] http://www.sibgroup.org.uk/beinvestmentready/; last accessed 22.01.2016.

[32] http://www.reclaimfund.co.uk/; last accessed 08.01.2016.

[33] Three other elements, the *Open Services White Paper* (2011), the *Localism Act* (2011) and the *Public Services (Social Value) Act* (2012), are discussed in Dowling and Harvie 2014.

[34] http://www.bigsocietycapital.com/about-big-society-capital; last accessed 30.06.2015.

Development Impact Bonds, the application of Jam Jar Accounts, and the Care and Wellbeing Fund'.[35] With a staff of almost 60, Social Finance continues to publish reports, organise events and offer bespoke and specialist advice to actors and potential actors in the social investment market.

Sitting below the social investment market-builders and champions, there are four principal actors in the social investment market proper: charities and social enterprises; commissioning bodies; financial investors; and, social investment financial intermediaries.

First, there are the charities and other social enterprises, which are 'working hard to deal with some of the most challenging issues in the UK – such as youth unemployment, financial exclusion and homelessness'.[36] These social enterprises deliver services and, if the model operates as it is supposed to, do so in an innovative way. They may employ or utilise both waged and unwaged/voluntary labour; of course, they also interact with service users. The dominant discourse on social investment – certainly that propagated by its enthusiasts in the Cabinet Office, Social Finance, Big Society Capital and elsewhere – is that the social sector is 'inadequately capitalised', that a 'finance "gap" [holds] the frontline social sector back from operating as efficiently as comparable mainstream businesses'.[37] Big Society Capital, for example, cites Social Enterprise UK survey figures showing that '45% of start-up and new frontline social enterprises cited lack of and/or poor access to affordable finance as their top barrier in setting up, while 44% of established frontline social enterprises cited it as their top barrier to sustainability and growth'.[38] This dominant narrative is partly questioned, however, by the Alternative Commission on Social Investment, which suggests that, '[t]here is little, if any, evidence of a *generic* social sector problem with access[; that m]ost social sector organisations aren't interested in finance … [; and that t]hose who do want loans are relatively successful in getting offers of finance from banks, even unsecured'.[39]

Second, there are the commissioning bodies. These include central and local government and the 'public sector', more generally. Under the traditional welfare state model, such bodies would also deliver these services, financing them through the usual fiscal tools available to the state – tax revenue and public-sector borrowing. In the social investment market model, the commissioning bodies' role is that of identifying priority areas of intervention, specifying target outcomes and metrics and paying by results. Commissioning bodies are most important where a social impact bond (SIB) is the tool selected – and we will discuss their role in the next section, which focuses on the SIB.

Third, there are financial investors, which supply capital, usually in the expectation of receiving a financial return. Big Society Capital distinguishes five types of investor. First, government, which, to date, has been the largest source of capital for the social investment market, providing roughly two-thirds of all funding for intermediaries (see below), in the form of both grants and repayable loans. Second, trusts and foundations, which have provided

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[35] http://www.socialfinance.org.uk/about/how-we-work; last accessed 30.05.2013; http://www.socialfinance.org.uk/about-us/history/; accessed 30.06.2015. Social Finance UK now has sister organisations Social Finance US, Social Finance Israel and the more general Social Finance Global.

[36] http://www.bigsocietycapital.com/what-social-investment-0; last accessed 30.06.2015.

[37] Big Society Capital n.d., p. 22.

[38] Big Society Capital n.d., p. 22.

[39] Alternative Commission on Social Investment 2015, p. 19 (emphasis in original).

roughly 12% of funding, typically investing sums 'between £200,000 and £5m on a long term, patient basis where social impact and transformational change are the key returns alongside some financial return'. Third, individual retail investors, which 'will invest small amounts of money (between £10 and £50,000) into FSA regulated and authorised social banks'. These investors are looking for 'security of capital…, *competitive* rates, easy access to funds and a clearly articulated and reported social impact' (my emphasis). Fourth, wealthy individuals, who have supplied approximately 7% of funding. According to Big Society Capital, '[k]ey requirements for such investors are financial returns linked to investment/social impact risk, some access to funds, engagement and a direct, personal link with the social impact being delivered'. Finally, mainstream banks and commercial institutions, who have also supplied around 7% of funding. Such institutions' entry into the social investment market has thus far been 'tentative'; the 'bulk' of their funding has been through their corporate social responsibility programmes and is 'dwarfed by their mainstream and commercial activities'.[40]

The *fourth* actor in the social investment market is the so-called social investment financial intermediary (SIFI). As their name suggests SIFIs play various intermediary roles between the other three sets of actors, which include: creating and raising investment for funds that provide loans or invest equity in the social sector; managing funds on behalf of others; designing and structuring financial instruments that, for example, enable social sector organisations to deliver public services under payment by results contracts; providing platforms and exchanges that directly connect investors and social sector organisations; and, supporting social sector organisations to develop their business models and skills so that they can take on new types of investment.

In 2013, Big Society Capital listed 129 SIFIs in its directory of intermediaries, of which the majority appeared to offer 'business advice and support'.[41] Three years later, this number had fallen to 15.[42] One organisation no longer listed is Bethnal Green Ventures, which is, in reality, a venture capital organisation. At the time of writing (July 2017), Big Society Capital was categorising intermediaries into ten different types, including: social venture funds, social banks, charity bond vehicles and, of course, social impact bonds.[43] We learn from this that, as might be expected in a nascent sector, the definition of social or impact investment is shifting and is being refined. However, the twin goals of *defined and measureable social impact* and *financial returns for investors*, remain core to the social investment project. The key innovation here is the social impact bond.

2.2. Instrument: the social investment bond

The world's first social impact bond (SIB) was launched in 2010, to finance a £5 million probation scheme in Peterborough (a small city 120km north of London).[44] By 2017, 77 SIBs

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[40] Big Society Capital n.d., pp. 19–20.

[41] http://www.bigsocietycapital.com/finding-the-right-investment/; accessed 02.05.2013.

[42] http://www.bigsocietycapital.com/for-investors/intermediaries; accessed 19.01.2016.

[43] https://www.bigsocietycapital.com/what-we-do/investor/our-approach/who-we-invest; accessed 18.07.2017.

[44] Social impact bonds had been heralded in the December 2009 White Paper *Putting the Frontline First: Smarter Government*, in which the then Labour government stated it would pilot them as 'a new way of funding the third sector to provide services'. The Labour justice minister Jack Straw was responsible for the Peterborough SIB.

had been commissioned globally, with a further 35 at the design stage. Of the existing projects, 32 are in the United Kingdom, with investment totalling approximately £36 million. The majority of these UK projects are designed to support 'workforce development', 'youth engagement' or tackle homelessness amongst so-called NEETs, young people not in employment, education or training. [45] Tellingly, a project targeted at people with mental-health problems is designed to 'help them find and maintain a new job'.[46] [47]

A conventional bond pays a fixed coupon (except in the case of default). A social impact bond is different: the return to social investors, the bond's holders, is not fixed, but depends upon the performance of the social enterprise that their investment is financing. In this sense an SIB is a derivative, a financial asset in which cash flows are dependent upon – are derived from – some underlying index or other metric.[48] In fact, the SIB is a form of outcomes-based contract or payments-by-results (PBR) contract. Social Finance explains:

> A SIB is a financial mechanism in which investors pay for a set of interventions to improve a social outcome that is of financial interest to a government commissioner. If the social outcome improves, the government commissioner repays the investors for their initial investment plus a return for the financial risks they took. If the social outcomes do not improve above an agreed threshold, the investors stand to lose their investment.[49]

Referred to here are the three separate actors described in the previous section as constituting the social investment market proper: first, a commissioner, who defines the desired social outcomes and makes payments if these are achieved; second, a delivery agency – the social enterprise – which designs and implements the programme(s) to achieve these desired social outcomes, but which bears no financial risk; and third, financial investor(s), who fund the project, receive a financial return if it is successful and bear at least some of the risk if it is not. We also observe in this passage the logic underlying the social investment vision, whereby the tool (the SIB) is designed with the intention of aligning the interests of each of these three actors. The UK government's Centre for Social Impact Bonds provides a complementary definition, emphasising, first, the legal separation between commissioner, delivery agency and investor, and second, the dependency on social outcomes of financial returns, with the investor also assuming financial risk of non-delivery of these outcomes.[50]

Clearly the outcomes metric, which determines the relationship between a project's social outcome(s) and the associated payment to investors, is key. This may take several forms including: comparison of 'cohort performance' vis-à-vis a control group; per capita tariffs; fee

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[45] Instiglio, Impact Bonds Worldwide; at http://www.instiglio.org/en/sibs-worldwide/; accessed 25.07.2017.

[46] https://www.gov.uk/government/news/new-social-impact-bonds-to-support-public-services; last accessed 25.07.2017.

[47] Putting the figures in context, in 2016-17, public expenditure totalled £771 billion, with perhaps one third of this being welfare spending; the total value of financial assets was almost £30 trillion: https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2017; https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/nationalbalancesheet/2016estimates/pdf; accessed 25.07.2017.

[48] See Harvie et al. XXXX.

[49] Social Finance 2014, p. 2.

[50] Centre for Social Impact Bonds 2013.

for service; and, payment-by-results with minimum service standards being specified by the commissioner.

Three examples will help illustrate the structure of SIBs.

The Peterborough SIB, launched in 2010, was commissioned by the Ministry of Justice and designed by Social Finance. The (probation) service provider was a purpose-created body called One Service, formed of a consortium of criminal-justice and prisoner charities, including St Giles' Trust, the Ormiston Trust and SOVA. There were 17 investors, all charitable foundations, who together contributed £5 million. Outcome payments – for which the Ministry of Justice and the Big Lottery Fund were liable – were dependent upon specific reductions in rates of recidivism of the Peterborough ex-prisoners relevant to comparable cohorts elsewhere in the country. The project involved three phases, each involving up to 1000 ex-prisoners. For each phase a positive financial return was dependant upon the reoffending rate of the Peterborough cohort falling by 10% or more relative to the comparator cohorts; if there was no such fall for any cohort (i.e. no phase-specific payment was triggered), then investors would receive an outcome payment if the reoffending rate of the three cohorts evaluated as a whole falls by 7.5% or more.[51]

This SIB has not been an unqualified success. At the end of its first phase, reoffending rates had fallen by 8.4%, insufficient to trigger the payout to bond holders. Although the second phase proceeded, the planned third phase was cancelled by the Ministry of Justice, with the scheme ending in June 2015.[52] According to the final project evaluation, not published until July 2017, overall reoffending rates across the two cohorts (phases), fell by 9%, greater than the 7.5% threshold. Investors thus received an outcome payment equal to their initial investment plus a dividend return equivalent to a per annum return of just over 3% over the period of their investment.[53] Despite the project's success in reducing recidivism and generating a financial return for investors, it has not resulted in reduced state spending. As early as 2011, one report predicted the SIB would not be 'likely to result in substantial *cashable* savings to the Ministry of Justice or other government departments'.[54] Given this, the government created new 'outcome funds' – one was the Social Outcomes Fund, mentioned in section 2.1 above – from which to pay investors, thus contributing to an increase in state spending.[55] The final report makes no mention of savings.

The Peterborough SIB has now been rebadged as a 'pilot'. Results from the first cohort were spun as 'encouraging', with the then Justice Secretary, Chris Grayling claiming that 'these through-the-gate pilots are getting results', while for Rob Owen, chief executive of St Giles Trust, '[i]t's almost two fingers to the doomsayers'. Social Finance suggested 'the project was

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[51] See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/217375/social-impact-bond-hmp-peterborough.pdf for an assessment of the Peterborough SIB.

[52] http://www.payforsuccess.org/resources/peterborough-sib-phase-out-2015; assessed 22.01.2016.

[53] https://www.gov.uk/government/publications/final-results-for-cohort-2-of-the-social-impact-bond-payment-by-results-pilot-at-hmp-peterborough; http://www.socialfinance.org.uk/wp-content/uploads/2017/07/Final-press-release-PB-July-2017.pdf; accessed 06.08.2017.

[54] Disley et al. 2011, p. 8.

[55] Ogman 2016; Harvie and Ogman XXXX.

not shut down because of problems with the SIB model, but because it had demonstrated its effectiveness'.[56]

The Essex SIB, launched in April 2013, was the first SIB commissioned by a local authority, Essex County Council. The bond funds a £3.1 million scheme to 'help 380 vulnerable 11–16 year olds on the edge of care or custody to stay safely at home with their families';[57] it uses an intervention called Multi-Systemic Therapy, provided by children's charity Action for Children. Investors include Big Society Capital and Bridges Ventures, with their investment channelled via a special purpose vehicle Children's Support Services Ltd. The key outcomes metric is 'the saving in aggregate care placement days for each [Multi-Systemic Therapy] cohort, benchmarked against a historical comparison group'.[58] The project will operate for five years, with outcomes payments, which will be capped at £7m, extending into the eighth year. According to the Centre for the Social Impact Bonds, '[t]he SIB could see investors earn 8-12% annual interest on their investment', while the total saving to Essex County Council (net of outcome payments) could be £10.3 over the project's timeframe.[59]

The Department for Work and Pensions (DWP) has been an enthusiastic commissioner of social impact bonds. The ten distinct SIBs (spread across ten locations in England, Wales and Scotland) commissioned by its Innovation Fund involve a more complex set of metrics than either the Peterborough or Essex SIBs. This is a more far-reaching set of pilots, adopting three alternative investor models (single investor, multiple investor and intermediary) and involving a range of contracting bodies (service providers). Launched in the summer of 2011, with the first round projects going live in April 2012 and the second six months later, the pilot is expected to last three years, to draw on £10m of external investment and to target 17,000 'disadvantaged young people and those at risk of disadvantage'.[60]

In terms of payments and the underlying metrics, a total of 25 proxy outcomes has been defined, each with associated maximum payment. For example, in round 1 of the project, for children in years 10 and 11 (14-16 year olds), 'improved behaviour at school' or the halting of 'persistent truancy' yield maximum payments of £800 and £1300, respectively. In round 2, loosely equivalent 'proxy outcomes' for 14 and 15 year olds include 'improved attitude to school' (£700), 'improved attendance at school' (£1,400) and 'improved behaviour at school' (£1,300). For slightly older youths, 'completion of first NQF Level 3 training/vocational qualifications' yields a payment of £3,300 in round 1 or £5,100 in round 2; 'entry into first employment including a training element (e.g. an apprenticeship or work-based learning)' yields £2,600 (round 1) or £5,500 (round 2). Maximum payments per participant (i.e. per

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[56] Quoted in http://www.thirdsector.co.uk/peterborough-prison-social-impact-bond-pilot-fails-hit-target-trigger-repayments/finance/article/1307031; http://www.civilsociety.co.uk/finance/news/content/17355/social_impact_bond_at_peterborough_to_be_replaced_with_alternative_arrangement; last accessed 30.05.2015.

[57] http://www.bigsocietycapital.com/how-we-invest/essex-social-impact-bond-0; last accessed 30.05.2015.

[58] http://www.local.gov.uk/documents/10180/11467/Case+study+-+the+Essex+County+Council+Social+Impact+Bond_7+Nov+2013/356b2c4b-4228-4ea7-a349-c331f53a653d; last accessed 30.05.2015.

[59] http://data.gov.uk/sib_knowledge_box/essex-county-council-children-risk-going-care; last accessed 30.05.2015.

[60] http://data.gov.uk/sib_knowledge_box/department-work-and-pensions-innovation-fund; last accessed 30.05.2015.

young person assisted) are capped at £8,200 (round 1) and £11,700 (round 2).[61] These SIBs are designed such that bidders 'pick and mix' from the list of proxy outcomes; bidders 'also proposed the payments they expected for each proxy outcome, up to the maximum amount set by the DWP'. What is interesting about this scheme is that the onus of innovation is on the delivery bodies (not the commissioning government department), whist the upfront financial risk is borne by the investors.

Having illustrated the structure of the social impact bond with three examples above, I now turn my attention – in the final substantive section – to the financial-disciplinary logic that SIBs threaten to bring to bear on the socially-reproductive labour that they are intended to fund.

3. Finance, social finance and social discipline

3.1 Finance: a technology of power

Social investment is a financial practice;[62] the social impact bond is a financial instrument. So, to understand the logic of the SIB we need to understand the logic of finance. According to mainstream economics, finance performs a number of basic functions. These include: (1) making payments to facilitate the exchange of assets, goods and services; (2) providing resources to fund large-scale projects or enterprises; (3) transferring resources from surplus agents (e.g. savers) to deficit agents (e.g. borrowers); (4) managing risk; (5) providing price information required for the coordination of decentralised decision-making; and (6) creating incentives to perform well, that is, in the stakeholder's interests.[63]

Social finance, and the SIB in particular, performs several of these functions. Recall Social Finance's definition, quoted in section 2.2, above. An SIB is mechanism through which 'investors [who are surplus agents] pay for a set of interventions' and thus both fund a (relatively) large-scale project or enterprise and transfer resources to those (deficit) agents, whose income is insufficient to pay for the project, whether this deficit agent is understood as the government commissioning body, the service provider or the end-user (or all three).

We can also see how the SIB is designed to facilitate the management of risk. In particular it allows the state, as commissioner of social services, to reduce its exposure to the risk that any given intervention is not be effective – and thus results in higher state spending. This risk is instead borne by the investors who finance these services through their purchase of the SIB. As we saw above, however, in the case of the Peterborough SIB, investors will receive a financial payment in spite of the project's failure to produce savings to the state. One would expect investors to manage their own exposure to risk by investing in a number of alternative SIBs, along with traditional financial assets, adopting well-known strategies of portfolio diversification. In fact, the G8's taskforce is attempting to boost social investment by claiming that it offers traditional or mainstream investors the 'benefits of improved

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[61] It is not clear what the rationale is for the two separate 'rounds' with apparently quite different payments.

[62] To be clear, here, as in the previous section, the terms social investment and social investing are understood as practices that take place in the context of the social investment market. The meaning has thus shifted away from social investment as a framework for conceptualising and, to an extent, justifying state expenditure, as in section 1.1.

[63] Crane and Bodie 1996.

diversification': 'there is a prospect that the performance of some impact assets will have lower correlation or be totally uncorrelated with other assets'.[64]

We should recognise both the political-economic context in which social investment is being promoted, and that the political decisions to 'make' a social investment market as a response to social problems are just that – political (and ideological). The very existence of vast surpluses, held by a relatively small number of 'surplus agents', which social investment's boosters seek to harness, is a result of four decades of neoliberalism. And, of course, it is those four decades of neoliberal policies that have been a primary cause of so many social problems that need tackling – a point recognised by many of those scholars and policy-advisors advocating a social-investment perspective, discussed in section 1.1. But it is not my intention here to explore these questions. Suffice to say that we can understand social investment – and the attempts to make a social investment market – as very much going with the grain of so-called philanthrocapitalism or venture philanthropy, along with other financial-market mechanisms (microfinance, development impact bonds, carbon trading, for example) directed at a broad crisis of social reproduction.[65] I wish instead to focus on the fifth and sixth functions of finance, those concerning information and incentives – or discipline.

Crane and Bodie do not use the word 'discipline' in their elaboration of the functions of finance. Robert Bliss is more candid. For Bliss the two key components of market discipline are 'monitoring' and 'influence', which loosely correspond to Crane and Bodie's fifth and sixth functions, respectively.[66] Market participants (i.e. investors) monitor the actions of firms and their managers. They exert influence when they act on the information gained from these monitoring activities. Such influence – or discipline – may be ex-post, when they 'punish' firms whose actions they disapprove of, by withdrawing liquidity or selling shares, say, or ex-ante, when the threat of such adverse consequences induces managers to perform in a way consistent with investors' interests to begin with. Market discipline is, of course, a solution to the principal-agent problem that arises with the separation of ownership of the corporation and its management.[67] For Bliss it is a good thing, and there should be more of it. What is rarely made explicit in mainstream discussions of market discipline is that investors' pressure on managers must be translated into pressure on workers – and the 'natural' environment, communities and so on. This is what bosses do!

Market discipline as understood by scholars such as Bliss is just one aspect of the competition and discipline that happens in the capitalist mode of production. Let us now lay out the various levels on which individual capitals (or 'bits' of capital in general) compete, always bearing in mind that such competition between capitals always translates into competition amongst competition amongst workers. Or, more generally, competition amongst capitals

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[64] Social Impact Investment Taskforce 2014, pp. 40–41 & 20.

[65] Too many books, articles and op-eds have been written boosting 'philanthrocapitalism'; one good critique is McGoey 2015. Roy 2010 and Bateman 2010 both provide trenchant critiques of microfinance. See Böhm and Dahbi 2009, for the problems with carbon markets.

[66] Bliss 2004.

[67] A peculiarity of the social investment market is that its ideological proponents believe the solution (market discipline) to be so powerful that they are willing to create the problem (separation of ownership and control). For such proponents, the decision-making ability of the state, its ability to weigh up competing uses for scarce resource – that is to commensurate – is inferior to that of private capital, via market mechanisms.

must be understood as a competition to see which capitals are best at exploiting their workers and/or appropriating value by externalising costs onto citizens, consumers or 'nature'.[68]

First, and most obviously, capital(ist)s compete in the product market. Cadbury's, Mars and Nestlé compete in the market for chocolate and confectionary, for instance; Apple competes with Samsung in the market for smartphones, tablets and so on; British Gas (owned by Centrica), EDF, E.On, nPower, PowerGen, Scottish Power and SSE compete (or arguably, do not compete) in the market for electricity and gas. With economic globalisation, driven by institutions such as GATT/WTO and various free-trade agreements, such competition has, of course, expanded in its geographical reach, and thus intensified.

Since the advent of the joint-stock company and the development of exchanges upon which stock in such companies might be traded, capital(ist)s also compete in the capital market.[69] Cadbury's, for example, is now part of Mondelēz International, whose shares are traded in a number of stock markets. Indeed Mondelēz's share price is displayed prominently on the homepage of its website: this and other characteristics of the website suggest investors, and not the sweet-toothed, are the target visitors.[70] All of the companies mentioned above are publicly listed, their shares bought and sold by financial investors. Such investors, as investors, have no interest in confectionary or mobile computing devices or gas and electricity. Their primary concern, frequently their only concern, is maximising return on investment, subject to acceptable levels of risk; they are only interested in the final consumer product in as much as it influences risk and return.[71] Investors then will constantly assess the likely profitability of alternative corporations – and adjust their own portfolios (of shares) in accordance with these on-going assessments.[72]

Simplifying only a little, the price of shares in a corporation considered more profitable than the average (i.e. to offer a higher rate of return – whether via dividends or equity-price appreciation) is likely to rise; the price of shares in a corporation considered less profitable than this market norm is likely to fall. For underperforming corporations – those offering a rate of return below the market norm, for given level of risk – there is the threat that 'activist investors' will seek changes in the way the corporation is run and/or its senior management.

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[68] See Moore 2015, who theorises capitalist development as a history of exploitation on the one hand and appropriation of natures on the other.

[69] The joint-stock company has also facilitated the pooling of resources necessary for the funding large-scale projects: 'The world would still be without railways if it had had to wait until accumulation had got a few individual capitals far enough to be adequate for the construction of a railway. Centralisation, however, accomplished this in the twinkling of an eye, by means of joint-stock companies.' (Marx 1976, p. 780)

[70] http://www.mondelezinternational.com

[71] Typically, investors make a trade-off between risk and return, demanding a higher *expected* rate of return for more risky investments.

[72] The pursuit of maximal returns, to the exclusion of all other considerations is one result of the 'shareholder value revolution' of the 1970s and '80s, itself one facet of the neoliberal shift. Although social-movement campaigners have attempted to force corporations to behave in a more 'socially-responsible' manner, the 'shareholder value' perspective has been so dominant that even some philanthropic trusts consider only financial performance when deciding where to invest their wealth. According to McGoey, for example, 'for years, with the exception of tobacco companies, the [Gates Foundation] chose to invest in companies offering strong financial returns regardless of negative health effects' (2015, p. 173). Until 2014, such investments included Coca-Cola, McDonalds and even GEO Group, 'a leader in the for-profit prison industry'.

There is also the threat that declining share price will invite hostile take-over, with new owners seeking to improve performance, usually via some form of restructuring. This is exactly the market discipline discussed by Bliss in his account.

We see through this mechanism how finance creates incentives for corporations (different capitals) to act in stakeholders' interests, where stakeholders are equated with shareholders. This disciplinary function of finance is dependant upon good information. It is in investors' interests to monitor the corporations (and the business environment in which they are operating) whose shares are included – or might be included – in their portfolio. In Bliss's discussion, market participants act on the information obtained from their monitoring of firms, and thus influence asset prices. But we can also understand asset prices and other financial information themselves signalling to other market actors in a feedback loop. The prices of financial assets inform all participants what aggregate beliefs or opinions are. This is the sense in which we can understand, as Hayek explains, 'the price system as … a mechanism for communicating information'.[73] Hayek, of course, and capitalist markets, go further. Markets, including financial markets, not only produce the price information that aids decentralised decision-making, they also produce an 'impersonal compulsion', which 'confronts those who depend for their incomes on the market with the alternative of imitating the more successful or losing some or all of their income'.[74] The financial markets thus channel capital towards the most productive – read, most exploitative – uses.

As with competition in the product market, economic globalisation, and particularly financial globalisation, has led to more intense financial- and capital-market competition. Regulatory changes adopted by most advanced capitalist economies in the 1970s and '80s – and imposed on many Third World countries as part of the Washington consensus – mean there are now few barriers to 'foreigners' trading in shares of 'British' companies and even owning majority stakes in them. Margaret Thatcher's governments are, of course, (in)famous for their privatisation programmes – which is why 90% of households in Britain now purchase energy from one of the 'Big Six' utilities mentioned above, rather than two publicly-owned, monopoly utilities. But of these corporations, three (EDF, nPower and E.On) are owned by 'foreign' capitals – and this is only possible because of Thatcher's abolition, in 1979, of exchange controls. According to her memoirs, of all her activities in her first year in office, this is the one she took 'greatest personal pleasure in'.[75]

We must also mention the explosive expansion in derivatives trading over a similar period. Financial derivatives may be associated – or *derived* – from all manner of underlying assets, including: equity; corporate, government or consumer debt; interest rates; currencies; commodities, like wheat, petroleum, copper; 'baskets' of equity or debt, such as share indices or – now infamously – bundles of mortgages; interest rates; even 'natural' events, such as inclement weather. In 2016, at least $6.1 trillion worth of derivatives were traded every day,

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[73] Hayek 1945, p. 526.

[74] Hayek 1978, p. 189.

[75] Thatcher 1993, p. 44; cited by Herold 2002, p. 8. As Herold deduces, Thatcher was quite aware of the importance of this act: 'But not every capitalist had my confidence in capitalism. I remember a meeting in Opposition with City experts who were clearly taken aback at my desire to free their market. "Steady on!", I was told. Clearly, a world without exchange controls in which markets rather than governments determined the movement of capital left them distinctly uneasy.'

with the entire value of annual global output turning over in the financial markets in less than two weeks.[76]

Derivatives are clearly important. But as Dick Bryan and Michael Rafferty argue in *Capitalism with Derivatives*,[77] it is less the case that derivatives are important of their large volume; rather their volume is large because they are important. Opening up the 'black box' of derivatives, Bryan and Rafferty seek to 'explain the social role of derivatives ... [with] the emphasis ... squarely in the sphere of class relations and, especially, competition between capitals.'[78] Derivatives, it turns out, 'go to the heart of calculation and competition within a capitalist economy.'[79] For Bryan and Rafferty, the 'system of derivatives' – i.e. the millions of various contracts taken as a whole – in combination, perform two key functions: *binding* and of *blending*. Binding refers to derivatives' role of 'binding' the future to the present. For example, a futures contract sets now the price for the exchange of some commodity three months' hence (say). Blending is the process by which derivatives 'establish pricing relationships that readily convert between (... "commensurate") different forms of asset. Derivatives blend different forms of capital into a single unit of measure.'[80]

From derivatives' binding and blending attributes stem a number of arguments. Of most relevance here is that '[d]erivatives have taken the logic of capital beyond the bottom line (annual profit rates) and into the details of each phase of production and distribution'.[81] In other words, the vast system of derivatives permits the commensuration of different 'bits' or 'pieces' of capital – across sectors, across space and across time – and thus results in an intensification of competition between these bits of capital and a sharper focus on the human labour that (re)produces each bit of capital. By intensifying the process of competition, derivatives intensify the pressures on managers to maximise the extraction of surplus value and on workers to produce this surplus value. In short, financial derivatives multiply or intensify – or apply leverage to – finance's disciplinary function.

Sotiropoulos, Milios and Lapatsioras develop a framework that to an extent converges with Bryan and Rafferty's.[82] For Sotiropoulos et al. finance and financialisation must be understood as 'a technology of power, which facilitates and organizes the reproduction of capitalist power relations'.[83] As in Bryan and Rafferty's approach, derivatives turn out to be crucial to this organisational and disciplinary function of finance: what derivatives make possible is the commensuration of different concrete risks, where such risks include various concrete manifestations of class struggle. Although there are differences between

[76] Figures are from the Bank for International Settlements 2016a, 2016b, which report daily over-the-counter (OTC) turnover in foreign-exchange derivatives markets of $3.4 trillion (plus $1.6 trillion of spot transactions) and OTC trading in interest rate derivatives of $2.7 trillion. According to the IMF (2017), global GDP in 2016 was $75.2 trillion.

[77] Bryan and Rafferty 2006.

[78] Bryan and Rafferty 2006, p. 5.

[79] Bryan and Rafferty 2006, p. 9.

[80] Bryan and Rafferty 2006, p. 12

[81] Bryan and Rafferty 2006, p. 96.

[82] Sotiropoulos et al. 2013.

[83] Sotiropoulos et al. 2013, p. 179.

Sotiropoulos et al.'s analysis and Bryan and Rafferty's,[84] I do not think they are relevant for my argument here. Both sets of authors share an understanding that finance is productive, that its social function (for capital) is to make commensurable heterogeneous concrete human labour – or, equivalently, make commensurable the various risks that different workers will refuse the concrete labour demanded of them by their managers – and thus to intensify the competitive pressures on these heterogeneous workers.

3.2 Social finance and social discipline

Let us now explore how such financial discipline might play out in the social investment market. Recall the five types of investor distinguished by Big Society Capital (see section 2.1, above). For the government, to date the largest investor, a 'key consideration [… is…] *payment by results*', while trusts and foundations (providing 12% of funding) 'are increasingly looking for *standardised ways* of assessing their investment against the social impact they return'. The implications are clear. The rate of return on (social) investment will be used as the standardised way of measuring social impact – because this is how the SIB is designed, such that there is a direct link between social impact and financial return. This metric will then be used to judge and compare alternative projects or social enterprises. A probation scheme in Peterborough, say, can be evaluated against one in Liverpool, but also against a programme working with disadvantaged young people in the West Midlands and a project that seeks to help rough sleepers in London. Indeed, projects that work to reduce recidivism amongst teenage detainees at New York's Rikers Island or to 'provide services to strengthen 400 families' in New South Wales can also be evaluated in this way.[85]

A successful social enterprise – that is, one that meets or beats the criteria set out in the associated SIB contract and which thus delivers a financial return to its investors – will be rewarded with the opportunity to develop further projects (thus generating further financial returns for investors). A failing social enterprise will be allowed to exit.[86] In this way, the labour – both waged and unwaged – underpinning social enterprises that deliver a wide variety of services across society will be made commensurable, will be made to compete and will thus be disciplined.

The vision and the implications go further. In its typology of potential social investors, Big Society Capital also includes individual retail investors, seeking 'competitive rates [of return]', wealthy individuals, for whom a 'key requirement' is 'financial returns linked to investment/social impact risk', and mainstream banks and commercial financial institutions. The G8's Social Impact Investment Taskforce, as also mentioned above, discusses the merits of social investment assets, in terms of their financial performance and their riskiness vis-à-vis traditional assets, in particular suggesting their potential role in diversifying a portfolio. The social finance visionaries wish to make social investment assets mainstream. Indeed there is some evidence of this: Goldman Sachs was one of the lead investor in the Rikers Island probation project, for instance.[87]

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[84] In particular concerning whether or not derivatives can be understood as money; see also Sotiropoulos and Lapatsioras 2014.

[85] The Liverpool probation scheme is a hypothetical example; the others are not.

[86] Recall the quotation – in section 1.1, above – from the Cabinet Office's 2011 paper, *Growing the Social Investment Market*: the goal is 'an increase in the total number of social ventures, while allowing for the *failure and exit of some organisations*'.

[87] Delevingne 2014.

Another part of the vision is a secondary market for social investment assets. The authors of *Growing the Social Investment Market* called for the piloting of a 'social stock exchange', suggesting the lack of such a market 'can deter investors. It can also hinder redeployment of capital to areas where it can most efficiently generate social and financial return'.[88] Two other enthusiasts predicted that, '[a]s the social investment market grows, it is likely that a secondary market for SIBs may emerge offering primary investors liquidity and exit and secondary investors, such as pension funds, a potentially attractive asset class within a diversified (and socially aware) portfolio.'[89]

The realisation of these two additional elements of the social investment vision – widespread take-up of social investment instruments amongst traditional investors and the emergence of a liquid secondary market – would greatly facilitate the social-disciplinary power of finance. The involvement of traditional investors would sharpen the focus on financial returns, also bridging the binary divide between socially-reproductive activities and traditionally productive activities – that is, making commensurable activities in the two spheres. An active secondary market would extend the scope for both 'monitoring' and 'influence' – Bliss's two components of market discipline, discussed in section 3.1. The ability to sell a bond it considered to be underperforming would give an investor (and other potential investors) the incentive to monitor more closely and more continuously the activities of the service provider.[90]

Financial investors do not care whether they trade cocoa futures, the Argentinian peso or some index linked to the FTSE100.[91] They seek only the greatest risk-adjusted return. By their trading actions, the performance of those top 100 companies is compared to the performance of the entire Argentinian economy and to that of cocoa farmers everywhere. The implication for workers across the planet is brutal: their performance is being made commensurable. In global 'capitalism with derivatives', the performance of a Detroit car-worker can be compared not only with that of his neighbour on the production line, or even with her counterpart in Alabama or South Korea, but with garment workers in Morocco, coffee-growers in Kenya, programmers in Bangalore, lecturers working for Kaplan and cleaners on the London Underground. Competition and discipline are intensified, as is, of course, class struggle.

The social investment market model has the potential to extend this competitive/disciplinary logic into the sphere of 'the social'. The probation officer in Peterborough or New York, the youth support worker in Liverpool, the volunteer helping homeless people in London, the social worker in New South Wales: their 'performance' will be integrated into this system of measure, commensuration, competition and discipline.

Conclusion: the way of the future?

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[88] Cabinet Office 2011, pp. 59 & 34.

[89] Nicholls and Tomkinson 2013, p. 42. A Social Stock Exchange was, in fact, launched in 2013, but no SIBs have yet been traded on this secondary market. (http://socialstockexchange.com/membership/benefits-of-membership/; last accessed 10.02.2016)

[90] The ability to sell in a secondary market an SIB before the project's completion would allow investors to short the welfare state, i.e. to seek to profit from the failure of social welfare programmes. I am grateful to Dick Bryan for suggesting this phrase to me.

[91] As I noted above, even philanthropists such as the Gates, do not seem to care much where they invest – the only consideration is maximising returns.

The key argument developed in this paper is that the social investment market threatens – or promises, depending on one's perspective – to extend the disciplinary logic of finance into the sphere of social reproduction, in particular into the domain of state 'welfare' spending concerned with the reproduction of that unique commodity labour-power. The key instrument deployed here is the social impact bond: purportedly designed to align the interests of social-service providers, state commissioner of social services and financial investors, the SIB model has the potential to bring to bear on service providers finance's power to organise social relations.

Above I have suggested that finance (and financialisation) make commensurable heterogeneous concrete labours, across time, across sectors and across space. Such commensurability facilitates the intensification of competition between the workers who perform these concrete labours: it thus a tool of capital in its class struggle with workers. My argument concerning the SIB model is that it applies this 'technology of power' in the social sphere, the sphere of social reproduction. The SIB model makes commensurable the labour of the probation officer in Peterborough, the youth worker in Liverpool, the homeless shelter volunteer in London. Thus these heterogeneous subjects – both waged and unwaged – are put into competition with each other. But not only with each other: also with other productive subjects across the planet – the auto worker in Ulsan, South Korea, the cleaner on the London Underground, the academic precariously employed by Kaplan.

As such, and referring back to a debate touched upon very briefly at the end of section 1.1, the social investment market model is part of a development and deepening of neoliberal capitalism. In this sense, it can be understood alongside other neoliberal projects in the UK, to make commensurable and financialise the activities of university workers, for instance.[92] The social investment market model thus epitomises a financialisation of the welfare state or a financialisation of social reproduction – where financialisation is understood as a technology of power.[93]

When compared with the magnitude of both state welfare spending and overall private investment, the social investment market is, at present, tiny. There is, as yet, no secondary market for social impact bonds, whilst investors in SIBs have mostly been charitable trusts and foundations. But the promoters of the model are ambitious. In March 2016 Rob Wilson, then minister for civil society, expressed his hope and expectation that the SIB market would be 'worth more than 1 billion pounds by the end of this Parliament. The growth of SIBs will continue into the next Parliament and will become the norm for the way many public services are funded'.[94] In his response to the Peterborough SIB results, Ronald Cohen, a key figure in the development of the social investment market, claimed with characteristic hubris: 'it is the way of the future'.[95] *The Economist* is more cautious: in its report on the Peterborough

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[92] On this see, for example, De Angelis and Harvie 2009, McGettigan 2015.

[93] See Dowling 2016, and also Cooper et al. 2016, who argue that the London Homelessness SIB produces a 'securitization of the homeless'.

[94] Wilson 2016. Unfortunately for Rob Wilson, 'this Parliament' ended early with Theresa May's snap election of June 2017, in which he lost his seat

[95] http://www.socialfinance.org.uk/wp-content/uploads/2017/07/Final-press-release-PB-July-2017.pdf; accessed 06.08.2017.

project, it notes the 'complexity of evaluating [SIBs'] success' and concludes they 'are unlikely to spread far'.[96]

The question of the measurement of social outcomes or impact – although essential to a robust SIB contract – is, in my opinion, a side issue, for two reasons. First, the proponents of the social investment market are devoting considerable energy to developing techniques for evaluating outcomes. Second, and more important, the metrics used in project evaluation do not have to be 'sensible' or 'rational' in order for the SIB model to function as a technology of power. We know this – many of us have direct experience of it – from the proliferating measures and metrics deployed to make the higher education market 'work', measures that seem irrational, counter-productive, simply stupid .[97] Similarly with increasing marketisation of school education and health care in the UK. In this sense, I agree with William Davies's argument that neoliberalism has become both 'punitive' and 'incredible'.[98]

The future of the social investment market will not be determined by rational debate on the model's merits and demerits as a way of addressing social problems. Rather it will be determined on the terrain of class struggle. Understanding the SIB model as a technology designed to impose financial-market discipline on actors within the sphere of social reproduction – and thus as a means of waging class war from above – is thus essential if we are to successfully intervene in this class struggle from below.

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[96] *Economist* 2017.

[97] De Angelis and Harvie 2009.

[98] Davies 2016.

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