Crisis, hegemony, and the social investment market

The cultural political economy of an emerging governance strategy

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Abstract

This thesis contributes to contemporary research on neoliberalism by analysing the ‘social investment market’ (SIM) as part of the reproduction and remaking of hegemony since the financial crisis of 2008. It describes the modernisation attempts under the idea of ‘ethical capitalism’ to deal with multiple problems of market governance, by linking it with new notions of public responsibility, in order to bring about a sustainable recovery by harmonising relations between government, market, and society. My original contribution to knowledge is the fusion of a cultural political economy perspective, developed by Sum and Jessop (2013), with a historical materialist policy analysis, which allows me to explain ‘moral capitalism’ – defined by Clarke (2010a, p. 388) as a “muted echo of popular scepticism and outrage about the crisis of the present” – in strategic-relational terms. This is understood as an encounter, negotiation, and provisional and unstable compromise between competing projects of restructuring, namely between an effort to ‘restore’ neoliberal hegemony on the one side, and efforts to advance ‘progressive post-neoliberal alternatives’ (Peck, Theodore, & Brenner, 2010, p. 112), on the other. I demonstrate this perspective by reconstructing two cases of Social Impact Bonds – projects seeking to employ markets for the achievement of public goals, identifying both the possibilities for substantive change as well as limitations, in the ongoing context of political economic crisis.
Declaration of originality

I hereby confirm that I am the sole author of the written work here enclosed and that I have compiled it in my own words.

With my signature I confirm that:

− I have documented all methods, data and processes truthfully.

− I have not manipulated any data.

− I have mentioned all persons who were significant facilitators of the work.

− I have not committed any forms of plagiarism.

X

Robert Ogman
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“Nothing less than a revolution is needed to improve the lives of millions who are being left behind.” – G8 Social Impact Investment Taskforce (2014, p. 39)

“[M]oral capitalism’ is a muted echo of popular scepticism and outrage about the crisis of the present” – John Clarke (2010a, p. 388)

“[P]rogress’ occurs as the reaction of the dominant classes to the sporadic and incoherent rebelliousness of the popular masses—a reaction consisting of ‘restorations’ that agree to some part of the popular demands and are therefore ‘progressive restorations’, or ‘revolutions-restorations’, or even ‘passive revolutions’. – Antonio Gramsci (2007, p. 252)

“The problem is to see whether in the dialectic of ‘revolution/restoration’ it is revolution or restoration which predominates; for it is certain that in the movement of history there is never any turning back, and that restorations in toto do not exist.” – Antonio Gramsci (1971, pp. 219–220)
1. Chapter 1 – Introduction: Hegemony crisis and ‘ethical capitalism’

This thesis contributes to contemporary research on neoliberalism by analysing efforts to reshape hegemony through the idea of ‘ethical capitalism’ in the aftermath of the 2008 financial crisis. I am concerned with attempts to modernise market governance by linking it to new notions of public responsibility (Sprague, 2010). The object of this investigation is the ‘social investment market’ (SIM) (Dowling & Harvie, 2014) as a means of harmonising the relations between government, economy, and society, and to achieve a sustainable and equitable recovery from the crisis.

I contribute to understandings of ‘moral capitalism’ by analysing the “muted echo of popular scepticism and outrage about the crisis” (Clarke, 2010a, p. 388) as a provisional compromise between competing projects of restructuring. This is to say, I investigate these projects as an encounter, negotiation, and asymmetrical settlement between competing restructuring projects, namely, between efforts to restore neoliberal hegemony on the one side and the desire to constrain or transcend market governance on the other side. This investigation fuses a cultural political economy perspective, developed by Sum and Jessop (2013), with a historical materialist policy analysis (Brand, 2014; Buckel, Georgi, Kannankulam, & Wissel, 2014; Kannankulam & Georgi, 2014).

The research project is based on case studies of two ‘Social Impact Bonds’, seeking to ‘mobilise private capital for public good’ (Warner, 2013), in New York City and the U.K. city of Peterborough. In these cases, I describe efforts to use markets to transform public services, reduce incarceration, and to lower public liabilities in service experimentation. The cases describe new approaches to fiscal problems through efforts to ‘mobilise’ private capital for public good. And they represent efforts to respond to slow and uneven economic growth with the idea of ‘producing shared value’ which yield both ‘financial
and social rewards’. My analysis reveals the contours of these dynamic new projects and the engagement and contestation between competing actors and visions, identifying both their possibilities and constraints for substantive transformation in the context of the ongoing and evolving political economic crisis.

1.1. The disruption of hegemony and the ‘strange non-death of neoliberalism’

The economic crisis of 2008, the related disruption of hegemony, and resulting changes to contemporary capitalism are of major concern for contemporary scholarship. Not only did the financial meltdown disrupt the structures of capitalism in a way not seen since the crash of 1929, inherited belief systems of market rationality were equally shaken. Confidence in the superiority of liberal market democracy and triumphant assurances of the ‘end of history’ (Fukuyama 1989), pronounced just a quarter century before, were suddenly challenged. Scholars and commentators alike reminded us of the historical contingency, rather than natural destiny, of market governance, deepening awareness of our specific political conjuncture and the possibility of a ‘postneoliberal’ future.

Both scholars and political leaders defined 2008 as a moment of change in the trajectory of historical development. Wallerstein (2008) wrote of the coming “demise of neoliberal globalization”, while U.K. Prime Minister Gordon Brown said that “the old era of unbridled free market dogma was finally ushered out” (The Guardian, 2009a). Post-neoliberal perspectives re-emerged – both on the left and right (Clarke, 2010b; Jessop, 2012; Solty, 2013) – with calls for a ‘Green New Deal’, ‘public responsibility’, welfare expansion, and the ‘re-embedding’ of the economy (Dale, 2012). Neo-Keynesian stimulus packages were short-lived (Blyth, 2013, p. 54) and a Polanyian double movement did not occur.
Instead of a ‘post-neoliberal’ turn, market governance returned, as “the global crisis set the stage for another neoliberal counteroffensive”, writes Peck et al. (2012). Rather than restraining markets, there was a return to ‘business as usual’ seen in the “massive public subsidy paid to failing financial institutions to ensure that the ‘system’ is saved”, Clarke argues (2015, pp. 49–50). This sharp rise in government debt was to be solved through sharp reductions in public expenditures in the turn to fiscal austerity and welfare retrenchment (Blyth, 2013, p. 5).

This ‘strange non-death of neoliberalism’ (Crouch, 2011) proceeds by eroding or avoiding channels of public input about economic decisions in what Crouch (2016) calls ‘post-democracy’ (Habermas, 2011). In this situation, “markets set the agenda and (fiscal) constraints of public policies, but there is little that public policies in their turn can do in terms of constraining the realm and dynamics of the ever-expanding market” (Offe, 2013). In the ‘crisis of democratic capitalism’ (Streeck, 2011), market rule is re-imposed in the form of an ‘authoritarian neoliberalism’ (Bruff, 2014). In two leading liberal market economies, for example, harsh austerity measures are implemented with the U.K. central government ‘devolving’ responsibility onto local authorities, and U.S. municipalities have had their budgetary authority suspended in order to enact ‘emergency [economic] management’ (Peck, 2012a, p. 635, 2014a, p. 40). Nor do all repressive actions have clearly utilitarian purposes, as Davies (2016, p. 131) argues, but instead express a ‘punitive neoliberalism’ which acts out a “desire to extract some form of vengeance”. This forceful re-imposition of control also means the exclusion, repression, and fragmentation of alternatives.

But the forceful re-imposition of neoliberalism creates legitimacy problems. According to Offe (2013), market rule is increasingly “absen[t] of any supporting normative theory”
and “stripped of any shred of justification.” Market rule lacks innovation and cannot be ‘reinvigorated’ (Dale, 2012, p. 3). We’re confronted with a situation of ‘zombie neoliberalism’ (Peck, 2010) that is ‘dead but dominant’ (Smith, 2008). If the manifold crisis of neoliberalism includes economic, fiscal, social, and environmental dimensions, this is now compounded by legitimacy problems, or what Gramsci (1971) called a ‘crisis of intellectual and moral leadership’ (see Gill, 2012). In this situation, political alternatives are blocked, and with it, the possibility of political-economic renewal.

1.2. ‘Ethical capitalism’ as hegemonic renewal?
While much research on contemporary neoliberalism focuses on its post-democratic restoration, scholars have also observed efforts since 2008 to ‘re-moralise’ capitalism (Clarke, 2010a, p. 388; Sum & Jessop, 2013, p. 430; Wallerstein, 2011). Clarke (2010a, p. 388) points to new “regulatory desires” wherein “[t]he ‘casino capitalism’ of the past [would] be tamed, restrained and made more people-friendly by injections of morality, ethical standards and a sense of social responsibility”. Jayasuriya (Sprague, 2010, pp. 129–130) describes the emergence of “new notions of ‘public responsibility’ within forms of market governance”, and asks whether these outcomes of the 2008 crisis reflect a “move away from pre-crisis forms of regulatory governance” and towards “socialis[ing] neoliberalism”.

For example, the OECD (2010) seeks an alternative to ‘business as usual’ involving an “ethical capitalism” which achieves a “stronger, cleaner and fairer society”, and achieves a sustainable recovery of inclusive growth. In this visions, “[b]usinesses have a role to play”, but they should “plac[e] people at the centre of economic undertakings” and “realise collective well-being” (ibid). Such initiatives should go beyond existing corporate social responsibility schemes, which rely on firms’ voluntary assumption of
responsibility (Crouch, 2006, p. 1534), and instead, require governments to “set the institutions right” by creating the adequate “legal framework[s] and fiscal policies” (OECD, 2010). The idea of ‘ethical capitalism’ is a renewal of a ‘neo-corporatist’ vision (Jessop, 2002a, p. 462) based on cross-sector collaboration between governments, market actors, and civil society, with the aim of reversing the polarisations of neoliberalism and achieving mutually beneficial goals.

Yet, whereas scholars have noted the development of ‘ethical capitalism’ projects since the crisis of 2008, they have not been subjected to a sustained critical analysis, as to their intentions and effect upon the political economic trajectory and contemporary hegemony. This thesis fills this research gap by uncovering the content of this strategy, analysing its aims and objectives to reform contemporary neoliberalism through the partial incorporation of progressive ideas. In doing so, I aim to contribute to scholarship about the ‘strange non-death of neoliberalism’ (Crouch, 2011), by showing how its coercive restoration is complemented by strategies to create a new, inclusive consensus that “maintain[s] the system with a minimum of force and a maximum of persuasion” (Wallerstein, 2011, p. 86). In doing so, I investigates the ‘iterative process’ of political economic development since 2008 and efforts to restore and reshape hegemony against the background of political economic disruptions, and the competing strategies of social restructuring.

1.3. The ‘social investment market’ as research object
Efforts to foster an ‘ethical capitalism’ since 2008 have come from some of the highest international organisations, from national states, and from local and regional governments, often in collaboration with market actors and civil society organisations. According to the G8 (2014), an ‘ethical capitalism’ is being concretely advanced in the
form of the ‘social investment market’. According to McHugh et al. (2013, p. 247) write, “[t]he term ‘social investment’ in this context refers to a monetary investment in a social policy initiative, providing the investor with a financial return while delivering public welfare services.” But the SIM is framed in even broader terms as a new investment paradigm to solve the social problems of twenty-first century capitalism, as we see below.

The 2013, the G8’s new Social Impact Investment Taskforce (2014, p. 1) proclaimed that “[t]he financial crisis of 2008 highlighted the need for a renewed effort to ensure that finance helps build a healthy society”. The shaken belief in the self-regulating market gave way to the need for the ‘social investment market’ that would “bring the invisible heart of markets to guide their invisible hand” (ibid). This would bring about “a revolution in the way we solve society’s toughest problems” (ibid). Advancing a neo-corporatist perspective, they proclaimed a “new unifying force [to] harness entrepreneurship, innovation and capital” and “tackle social and environmental issues in the 21st century” (ibid). One “high-level recommendation” is the ‘social impact bond’ (see below) (2014, p. 6).

The ‘social investment market’ was elevated by the European Union (European Commission, 2013, 2017; European Investment Fund, 2013) and the World Economic Forum, among other organisations, to move ‘impact investing’ “from the margins to the mainstream” (World Economic Forum, 2013). In 2017, the Global Impact Investing Network (2017) estimated the market’s value at more than £800 billion.

The ‘social investment market’ is investigated in this thesis by analysing a leading policy approach, namely the ‘social impact bond’ (SIB) (Dowling, 2016; McHugh et al., 2013; Warner, 2013; Whitfield, 2015). Since the introduction of the world’s first SIB in 2010, more than 100 such projects exist today, totalling over £280 million (Pioneers Post, 2018).
Most of the SIBs are concentrated in the OECD countries, and especially in the two leading ‘liberal market economies’ (P. A. Hall & Soskice, 2001), the U.K. and U.S., known for their strong financial sectors and limited welfare protections. SIBs have also appeared in the global South in the form of ‘development impact bonds’ (Center for Global Development & Social Finance, 2013).

**Social Impact Bonds**
Social Impact Bonds (SIBs) are a central policy of the SIM. They articulate the idea of ‘ethical capitalism’ through the neo-corporatist idea of ‘unifying’ government, market, and society in a mutually-beneficial arrangement by ‘mobilising private capital for public good’ (Warner, 2013). In simple form, the SIB aims to attract non-governmental resources to public services, and which rewards private investors based on the performance of such preventative interventions.

A government commissioner sets a policy goal that seeks to reduce reliance on welfare. They seek to lower the number of children in care homes, persons in homeless shelters, as well as the number of people collecting unemployment aid (Social Finance, 2016; The Brookings Institution, 2015; Whitfield, 2015). They are also used in the area of criminal justice, and my investigation focuses on efforts to reduce incarceration levels (see chapter 3). Instead of directly financing the services, a government commissioner secures up-front resources from external actors, in the form of a private investment (Warner, 2013, p. 303). Services are contracted to community, charitable, or non-profit organisations to administer preventative programmes. But the aim is not the mere provision of service, but to achieve concrete and measurable ‘outcomes’, for example, reducing the number of children in care homes or persons in prison. Yet, not only are service objectives different, ‘social impact’ also aims to achieve corresponding reductions in public welfare.
expenditures, or in my cases, for remedial institutions. Such anticipated savings are crucial, because a portion of such savings are paid by the commissioner to the investors as profitable return. SIBs claim to only “pay out financial returns [if] specified social outcomes have been met” (McHugh et al., 2013, p. 248). But SIB are a risk product which do “not guarantee a fixed rate of return” (Warner, 2013, p. 1). Only if ‘social impact’ is achieved do investors receive a profitable return; otherwise, they risk losing their principal. In this way, the SIB aims to transform conflictual relations between government, the private sector, and society into a mutually-beneficial relationship around ‘aligned interests’ and thereby advance the project of an ‘ethical capitalism’.

As described in chapter 3, my investigation analyses two case studies of social impact bonds, including efforts to reduce high levels of re-incarceration in the world’s first SIB in the U.K. city of Peterborough from 2010 to 2015 (Nicholls & Tomkinson, 2013), and a similar project in New York City from 2012 to 2015 (Lake, 2015; Schram, 2015). The following section presents an initial overview of the theoretical and methodological approach guiding this investigation, which is further described in the following two chapters.

1.4. **Theory and methods – Cultural political economy and historical materialist policy analysis**

This investigation of the renewal of capitalism is guided by theories of hegemony, specifically those informed by the cultural political economy (CPE) approach developed by Jessop and Sum (Jessop, 2004, 2010; Sum, 2012; Sum & Jessop, 2013) and historical materialist policy analysis (HMPA) (Brand, 2014; Buckel et al., 2014; Kannankulam & Georgi, 2014). As described in the following chapter, CPE and HMPA both integrate Marx’s critique of political economy with Gramsci’s theory of hegemony and Foucault’s
concept of knowledge and power, to create a robust framework for analysing dynamic societal processes, their contradictions, and their transformations.

Here, the CPE and HMPA allow ‘ethical capitalism’ to be analysed as part of the iterative process of political economic reconstitution and production of hegemony. Accordingly, it is considered as a contingent set of compromises or provisional settlements in the specific historical conjuncture, resulting from the combination of crises, and the differential capacity of strategic actors to operationalise their goals.

From such a starting point (elaborated in chapter 2), I begin from the view that the attempted links between market governance and public responsibility reflect not a single but rather a multiplicity of somewhat diverging values, ideas, actors, and practices, and their re-articulation and assemblage into a set of practices. In the absence of a grand double movement to roll back or transcend market rule, the SIM is understood here as part of the ‘iterative reconstitution’ (Brenner et al., 2010, 16) of competing strategies of social restructuring. From this view, the ‘hybrid’ character of SIBs can be investigated as an encounter between multiple and divergent crisis management strategies, each seeking to impress its own trajectory upon state and societal developments (Hay, 1999). This allows policies to be conceived as the formation of “unstable compromises among social forces” within the state (Brand, 2014, p. 436), an instability resulting from underlying crisis-dynamics and social conflicts. Policy analysis can then reconstruct such processes by identifying divergent positions, locate the fault-lines between opposing strategies, describe the negotiation and consensus achieved both symbolically and materially, observe the power asymmetries in these processes, and locate uneven outcomes and problem displacement (Sum & Jessop, 2013, 24).
Hence, I am interested in reconstructing how spatio-temporally concrete compromises shape “the contours, forms, norms, procedures and practices that characterize an emergent state regime” (Hay, 1999, p. 331), or cross-sector collaboration between government, private, and civil society actors. This investigation of SIBs looks equally into both the discursive contestations and consensus achieved in narrating the causes and proposed solutions of certain problems (discussed below), as well as the efforts to materially reshape social practices, and collective and institutional action. More specifically, the attempt with SIBs to link market governance to ‘public responsibility’, is analysed as an asymmetrical and unstable compromise between efforts on the one side to ‘restore’ and extend market rule, and those forms of “resistance” seeking to contain or even transcend neoliberalism on the other side (N. Brenner et al., 2010b).

This allows me to reconstruct the development of concrete policies by focusing on the way concepts and social, fiscal, and economic crises evolve and interpenetrate, how new ideas are presented as solutions, and which social practices are developed across the state, economy, and society to address them.

I reconstruct two case studies of Social Impact Bonds (see chapter 3). These are the world’s first SIB in the U.K. city of Peterborough and a second in New York City, both located in the area of criminal justice, and which seek to ‘mobilise private capital’ to fund services to reduce rates of reconviction among people held in local jails. The case studies describe the problem narrations and their discursive framing of solutions which build consensus to extend or modify existing modes of collective and institutional action in the city. This means investigating how they compete in urban settings to narrate and shape “objects of governance” (Sum & Jessop, 2013, p. 220), creating consensus around specific policy approaches and crisis management strategies (2013, p. 405).
Policy plays an important role in the operationalization of crisis management strategies. According to HMPA, it is understood as a “politico-strategic terrain” for the pursuit of broader goals (Kannankulam & Georgi, 2014, pp. 64–65), struggles actors enter into according to their own strategic calculations. Concrete policies, conceived as compromises, denote however, that multiple agents determine the urban policy process, requiring an investigation that accounts for the presence of multiple local state and non-state actors, as well as regional and state-level agents. My research therefore weighs the influence of each project within the investigated conflict, identifying how each is present within it and what influence they have upon material and symbolic outcomes.

The SIBs are analysed in terms of the specific ways they address these three, interrelated crises, namely social, fiscal, and economic crises (see chapter 3). I assess how policy actors succeed or fail to frame these problems, with regard to causes and solutions, and the social practices they advance, as well as the outcomes that result. In doing so, I contribute to research about neoliberalism’s renewal by identifying contestations over, and contradictions within market rule and the effort to ‘progressively’ remake it.

### 1.5. Research questions

My investigation is guided by the following three groups of research questions:

- How does ‘ethical capitalism’ respond to the crisis of neoliberal hegemony? How does it link market modes of governance with new notions of public responsibility, as Jayasuriya (Sprague, 2010, p. 129) argues? How does it narrate the crisis? Which causes does it identify and which solutions does it propose? Which practical measures does it take to ‘align the interests’ of government, market, and society as a response to the crisis?
• How does ‘ethical capitalism’ fuse market ideas with progressive perspectives? In what sense does it express, as Clarke (2010a, p. 388) writes, the “popular scepticism and outrage about the crisis”, and how does it simultaneously “mute” such critiques? Do such projects articulate a ‘third way’, between orthodox neoliberalism and its alternatives, in what Fraser (2017a, 2017b, 2017c) calls a ‘progressive neoliberal alliance’? If so, how are advocates of market expansion linked with proponents of ‘progressive post-neoliberal alternatives’ (Peck et al., 2010, p. 112)? Which advantages and limitations does each group achieve in these contingent alliances?

• What status does ‘ethical capitalism’ have in the struggle over broader political economic developments and hegemony? Does it act merely to restore legitimacy in neoliberal hegemony by compensating for its post-democratic deficiencies? Does it instead open up a post-neoliberal trajectory? Or does it reflect simply a passing moment in the ongoing struggle over hegemony?

1.6. Structure of the thesis
The following chapter presents the theoretical perspective fusing CPE and HMPA, explaining how Marx, Gramsci, and Foucault may be brought together to interrogate the dynamic process of hegemony production. I describe the analytical tools deployed for investigating ‘ethical capitalism’ in the context of capitalist crisis and efforts at restoration and change. Chapter 3 describes the research strategy and methodologies used to develop, analyse, and evaluate my cases of two Social Impact Bonds in the U.K and U.S. Afterwards, I provide, in Chapter 4, a historical contextualization of my research object, including its pre-history during ‘second wave neoliberalism’ during the 1990s, and the rapid emergence and diffusion of the SIM and SIBs since the crisis of 2008.
The first case study is presented in Chapter 5, analysing the world’s first Social Impact Bond, in the U.K. city of Peterborough. This reconstructs the contestation, renegotiation, and tensions of managing social, fiscal, and economic crisis through efforts to ‘mobilise private capital’ to fund preventative services to reduce re-offending among short-term offenders. In Chapter 6 I present the New York City SIB, involving an investment from Goldman Sachs to reduce offending among adolescents detained at Rikers Island jail.

Chapter 7 provides my consolidated research findings through a case comparison, and discusses SIBs as a contradictory and unstable compromise under the concept of ‘progressive neoliberalism’. Chapter 8 concludes this thesis by discussing ‘ethical capitalism’ in the broader context of contestations over hegemony, and presents ideas for future research investigations.
2. Chapter 2 – Theorising hegemony: Cultural political economy and historical materialist policy analysis

This chapter presents my theoretical approach to the topic of ‘ethical capitalism’, based on cultural political economy and historical materialist policy analysis. Whereas chapter one introduced my research topic, the current one conceptualises it as part of the iterative development of the political economy and dynamic process of hegemony production and change. CPE and HMPA are located in the field of critical political economy research, and are concerned with the discursive-material production of social reality which seek to foster a constructive dialogue between Marx’s critique of political economy, Gramsci’s theory of hegemony, and Foucault’s concepts of knowledge and power (Best & Paterson, 2009).

In particular, my analysis draws from two complementary theories, the ‘cultural political economy’ (CPE) of Jessop and Sum (Jessop, 2004, 2010; Sum, 2012; Sum & Jessop, 2013), and the ‘historical materialist policy analysis’ (HMPA) (Brand, 2014; Buckel et al., 2014; Kannankulam & Georgi, 2014). These theories have developed in reciprocal engagement, and as Caterina (2017) argues, may be productively linked. The major part of this chapter presents the main aspects of CPE. It focuses on the dynamic process of social change and stability, the (re)production of hegemony, the process of ‘passive revolution’, the role of meaning making and structuration, contextual biases, strategic action, and the idea of provisional compromises. This allows for the conceptualisation of SIBs as part of the dynamic and iterative process of political economic change, both in response to structural problems encountered by neoliberalism, and as efforts to achieve stability by incorporating alternatives.
Yet, CPE is enhanced with HMPA in the second part of this chapter to enhance the investigation of hegemony by connecting it to critical policy analysis. HMPA makes two important contributions. First, it builds upon CPE’s understanding of hegemony as an encounter between multiple perspectives and actors through its concept of ‘hegemony projects’. This allows me to investigate the link between market governance and public responsibility as a relationship between competing strategies of social restructuring and the actor groups supporting them. But HMPA offers a second contribution to my theoretical framework. This regards the link it offers for analysing the relationship between a broad hegemony project and a more circumscribed policy. Conceiving policy as the ‘politico-strategic terrain’ for advancing a hegemony project (Buckel et al., 2014; Kannankulam & Georgi, 2014), I may connect analytical levels between ‘ethical capitalism’, the ‘social investment market’, and social impact bonds.

2.1. Cultural political economy

Cultural political economy (CPE) advances a theory of development bringing together Marx’s critique of political economy with Gramsci’s theory of hegemony and Foucault’s conception of knowledge and power (Sum & Jessop, 2013, pp. 205–214). It seeks to integrate these theorists by drawing out the ontological assumptions of Marx by evaluating the interdependence between the mode of economic production with the institutions and norms of political and civil society, which assumes the inherent meaningfulness of societal structures for coordinating human action (Sum & Jessop, 2013, p. 1). This ontological assumption is expressed in Eagleton’s description of theory in which he writes that “just as all social life is theoretical, so all theory is a real social practice” (1990, p. 24). In the following sections, I explain CPE’s conception of hegemony, beginning with its ideas on societal change and stability.
2.2. Stability and change

In presenting CPE’s conception of stability and change, this section focuses on Marx’s critique of the capitalist mode of production, Gramsci’s conception of hegemony, and Foucault’s ideas about knowledge and power.

The capitalist mode of production can be understood as a generalized system of commodity production, geared not primarily towards the generation of qualitative ‘use values’ but instead, towards the accumulation of quantitative and tradeable ‘exchange values’ (Marx, 1990, p. 138). The expansive accumulation of capital plays a central organising role in modern societies (Marx, 1990), not only within the narrowly conceived ‘economic’ sphere, but in society more broadly. It relies upon “supplementary modes of reproduction, regulation and governance”, Jessop (2002b, p. 11) writes, including social, political, cultural or other institutions, norms, practices, and systems of meaning to ensure its reproduction as a social order.

The relation of the mode of production to other instances of contemporary capitalist societies is viewed here in a dynamic and omnidirectional way. Because the economy lacks the “self-closure necessary to determine the extra-economic”, the former is “reciprocally determined by the [extra-economic] in turn” (Jessop, 2002b, p. 23). The mode of production’s dependence upon ‘external’ instances to secure its reproduction, means that there is also an increase in the space for agency to steer it in different directions (2002b, p. 18). Nonetheless, economic forces play a key role in shaping societal trajectories because “wealth must be produced before it can be distributed” (Jessop, 2002b, p. 24). Because the basis of material life must first be secured before social relations can be changed, the economic holds an ‘ecological dominance’ (Jessop, 2002b, pp. 24–25) within society. This idea differs from a conception of economic dominance
based on the idea of absolute control (a determinist base-superstructure relationship) on the one hand, but also challenges a loose conception of multiple powers in structural interdependence. It emphasizes dynamic interdependence but also differences in power. Jessop writes that the ‘the economic’ has a “far greater capacity (…) to imprint its developmental logic on other system’s operations (…) than these systems are able to impose their respective logics on that system” (2002b, p. 25).

This extended view of societal reproduction beyond the immediate economic core is enhanced by the work of Gramsci (1971), for whom capitalism’s interdependence with other organizing systems and practices was central to his theory of hegemony. Here, Gramsci (1971, p. 263) is interested in the state in its ‘integral’ sense, including both political and civil society, as sites where coercion and consent are used to achieve compromise and order in a context of contradiction and social conflict. Such an order represents a ‘historic bloc’ linking an economic mode of production with a complementary organisation of political power, mode of social life, familial and gender relations, and cultural norms. These settlements involve material concessions to the ‘subaltern’, ensuring its reproduction and participation in an uneven and asymmetrical configuration.

Inspired by Poulantzas (2014), Jessop and Sum (2013, p. 94) define a provisional settlement as an “unstable equilibria of compromises”, which is a “partial, improvised, temporary, and premature ‘harmony’”. Gramsci is concerned with the co-production of relations, and how competing actors pursue strategies – ‘war of position’ and ‘war of manoeuvre’ – to pursue goals. His conception of ‘war of position’ is of particular importance for this research project as it refers to struggles over hegemony which traverse the ‘integral state’ of political and civil society (Gramsci, 1971, p. 238), and construct a
‘collective will’ (1971, p. 125) behind specific societal projects. This involves struggles over meaning, identity, concepts of justice and legitimacy, but also over institutional contours in the “stepwise transformation of the structural selectivities that may obstruct and/or facilitate the realization of the project” (Sum & Jessop, 2013, p. 204).

Gramsci’s conception of hegemony, located in state and society, can be further extended by drawing on Foucault, argue both Sum and Jessop (2013, p. 207) and advocates of a HMPA (Brand, 2014, p. 427). Here, the former’s concept of ‘moral and intellectual leadership’ can be investigated with the latter’s contribution to modern power, particularly, with Foucault’s emphasis on discursive constructions and the production of societally accepted kinds of ‘knowledge’. For Foucault (1984, pp. 54, 72–73), “truth regimes” are contextually-situated forms of discursive organization with power effects that produce, “govern”, and constrain what may be said, and that produce subjects and identities. This “sedimentation of systems of rules and norms” consolidates what Gramsci called “conceptions of the world” and Foucault called “truth regimes” which stabilize unstable and diversely complex social orders, Sum and Jessop write (2013, p. 211), narrowing the scope of action “for developing alternatives and mobilizing opposition to the dominant order.” Critically important is the fact that these processes do not eliminate tensions or contradictions. Instead, Gramsci described ‘common sense’ as ‘contradictory’ (Rehmann, 2014, pp. 127–128). Yet he is not simply concerned with the variety of interpretations, but rather, with the way norms are produced, not through the elimination of difference, but through the elevation or marginalisation of different ideas within a contradictory common sense. Such variation and friction represent also potential sources of ‘resistance’ (Foucault) and proceed to become counter-movements.
But, while Foucault enriches a description of how questions, CPE re-connects them to why questions. The aim is to “link [Foucault’s] work on governmentality with [Marx and Gramsci’s interest in] the forms, institutional fixes and regulation-cum-governance of the capital relation” (Sum & Jessop, 2013, p. 213), its disruption, and the modification and reconstruction of market society in its aftermath.

These three sources of theory provide the basis of an investigation into the dialectically linked structural and agential causes and mechanisms in the production of hegemony and in competing crisis governance strategies to shape the “contours, forms, norms, procedures and practices” of collective and institutional action, and “impose[s] a developmental trajectory” upon the state and civil society (Hay, 1999, p. 331) about which kinds of action are, and are not, possible.

The aim of CPE is to develop a ‘third way’ between what Sum and Jessop describe as ‘hard political economy’ and ‘radical social constructivism’, through their particular understanding of the dialectically intertwined moments of discursive-material reality. This proceeds by historicizing categories of political economy so to challenge the reification of capitalism as a natural system (e.g. either the concept of homo oeconomicus, or the idea of the ‘self-regulating market’), while also identifying the real causal effects upon society that these ‘social constructions’ have when they are generally accepted in society and instituted in social structures (Sum & Jessop, 2013, p. 126). CPE takes a ‘cultural turn’ within political economy, by emphasizing the set of ‘extra-economic’ practices and systems, which provide the market with both its necessary support, yet also, sources of potential conflict. CPE focuses on the production of contingent social and institutional settlements. It aims to avoid the dilemmas of voluntarism, which, while correctly pointing to the socially constructed character of social formations, risk
downplaying causal economic mechanisms “including their distinctive logics, contradictions, dilemmas and crisis tendencies” which shape fields of action (Sum & Jessop, 2013, p. 177). It also challenges functionalist approaches which, instead of elevating agents above society, “reduces [them] to passive bearers of self-reproducing, self-transforming social structures” (Sum & Jessop, 2013, p. 180).

This introduction leads to a focus on the key concept of hegemony, discussed below, and the relation between structure and agency, conceived by CPE in the *strategic-relational approach*, discussed in the section afterwards.

This perspective has direct relevance for my construction of the research object, the Social Impact Bond. Bringing together Marx, Gramsci, and Foucault in the particular way described above, the analysis seeks a multi-causal explanation of SIBs in the current societal conjuncture. It is concerned with the economic structures, interests, and forces bringing this form of ‘ethical capitalism’ into being. That is, the ‘social investment market’ is analysed through the lens of capital accumulation. In this way, SIBs are analysed as a new opportunity for investors in a context of economic slump, and as a mode of capital accumulation in a ‘world awash with liquidity’ (IMF). Yet, the centrality of economic explanations should not overshadow the economy’s lack of closure, and thereby the necessity for political and cultural explanations. This effort to link market modes of governance with new notions of public responsibility and structures of accountability, means analysing “extra-economic” supports in two ways: on the one hand, as an effort to expand markets into areas previously shielded from it, and on the other hand, as an effort to ‘embed’ the market in other values or practices. Hence, the Gramscian contribution is the investigation of the influence of these different factors (i.e., their market-expanding and market-embedding factors), towards a new consensus on the
relation between economy and society, or the provisional ‘compromises’ or ‘settlements’ achieved between them. But Foucault’s insights are equally important, as his work develops further the ‘constructed’ nature of reality, assumptions under-developed in Marx and Gramsci’s work, and develops understandings of the micro-politics of power. Here, I interrogate the social investment market’s micro-politics of power in shaping conceptions of societal problems and their solutions, and how these also affect practices of economic investment, fiscal practices of governments, and social practices of public provisioning.

2.3. Producing hegemony

A key concept for CPE is hegemony, developed by Gramsci in his effort to explain the relative durability of advanced capitalist societies despite their internally contradictory tendencies and social conflicts. CPE brings Marx, Gramsci, and Foucault together in enhancing a concept that focuses on both agential and structural issues, describing the ongoing process of achieving a contingent yet contradictory unity, or an “unstable equilibria of compromises” in a given spatiotemporal context. Yet hegemony implies both a kind of leadership and the specific forms of such settlements produced by that leadership, shaped through newly sedimented meaning (i.e. accepted ideas), and social structures that organize and form the contours and “corridors” (Brand, 2014, p. 433) of collective action, in the ‘integral state’ of political and civil society.

Expanding upon traditional understandings of power (and the state), which emphasize their negative and repressive dimensions, social forces lead, Gramsci argues, through the active construction of relatively durable social compromises between different actors and social forces through a combination of consent and coercion. Hegemony is coalition or
alliance-based power, albeit through asymmetrical relations, and uneven allotment of rewards. According to Thomas (2010), Gramsci conceives leadership as the selective and partial inclusion by leading groups of allies or opponents as junior partners through their active or tacit consent, and the coercive domination over and/or exclusion of opponents.¹ Such compromises are established through dialectically intertwined symbolic-material action creating a structured terrain within which involved actors may operate, “creat[ing] ‘corridors’ of viable and reasonable action, frameworks and thinking, as well as policy-making” (Brand, 2014, p. 433), ways of conceiving, selecting, construing, and shaping objects of steering. Poulantzas is helpful here, as he emphasizes the sedimentation and structuration of power relations, defining the state as the “material condensation of a social relation of forces” (2014, p. 128).² Consensus sets agreements among the parties to a compromise limiting what content be or may not be included, and how the positions are related to one another. As Demirovic writes, hegemony “determines the conditions of possible polarizations” and “monopolizes power to define what might emerge as opposition and as a hostile force against the balance achieved by compromise” (quoted in Brand 2014, 433).³ This productive conception of power involves the integration of diverse subjects, leading Jessop and Sum (2013, p. 201) to write that its effectiveness “depends on the capacity of dominant groups to suture the identities, interests, emotions and values of key sectors of

¹ Thomas (2010, p. 163) writes that for Gramsci, “hegemony is the form of political power exercised over those classes in close proximity to the leading group, while domination is exerted over those opposing it. Consent is one of the means of forging the ‘composite body’ of a class alliance, while coercion is deployed against the excluded other. A class’s ability to lead, to secure the consent of allies, however, also relies upon its ability to coordinate domination over the opponents of this alliance, just as its ability to exert such coercive force depends upon its prior securing of the consent of such an alliance.”
² Poulantzas was an important influence in the early development of CPE (see Jessop 2007).
³ Demirovic is referred to by Jessop and Sum as an important contributor to CPE (Sum & Jessop, 2013, p. 91).
subordinate classes and other subaltern groups into a hegemonic vision and embed this in institutions and policies – leading in turn to their translation into common sense”. This task is assisted by ‘organic intellectuals’ (Gramsci) who function as “crucial bridges between economic, political and ideological domination, and as active agents in linking culture (especially knowledge) and subjectivity” (ibid). Such actors frame issues, formulate ‘solutions’, create ‘truth regimes’, which are to be linked to, and supported by corresponding social practices (Sum & Jessop, 2013, p. 202). A key element of power is the way leaders engage in “constructing, producing and circulating bodies of (moral, intellectual) knowledge that normalize (or resist) particular object fields, subject positions and relations of rule inscribed terrains” (Sum & Jessop, 2013, p. 203).

But hegemony is not produced through consensus around common conceptions of the world, but has a ‘material substratum’ (Poulantzas, 2014, p. 31). Just as dominant discourses may partially incorporate alternative ideas, so do social compromises often provide limited ‘material concessions’ (Sum & Jessop, 2013, p. 201). These are of “positive significance for the popular masses” (Poulantzas, 2014, p. 31). Through compromises, “subaltern groups develop a real interest [and] expect real advantages that cannot in any way be reduced to a form of self-deceit”, Candeias writes (2013, p. 4).

Compromises, however, do not ensure the direct fulfilment of such interests and goals, but instead their reworking and partial integration into a larger set of agreements, often involving costs and even inversions. Fraser (2009, p. 108) illustrates this point with her description of the partial integration of second wave feminism’s critique of ‘state-organised capitalism’ and the transition to neoliberalism. In this case, the women

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4 Sum and Jessop also identify Candeias as a source of their understanding of hegemony (Sum & Jessop, 2013, pp. 92–93).
movement’s critique of androcentric gender relations under Fordism were effective, but they did not lead to social equality. Instead, women could escape relations of family authority, but only through workforce entry, which, helped to unravel the ‘social wage’, while it increased overall labour time because of the ‘second shift’ of domestic household work. Here, feminist goals were partially fulfilled but also set back in the “shift in progressive thinking from equality to meritocracy” (N. Fraser, 2017c).

Conceiving hegemony as a provisional settlement then, seeks to bring into focus the presence of a plurality of actors, who are in a dynamic relation with one another, and who, with different degrees of power, ‘negotiate’ problems in response to ‘urgences’. But this coalition conception, and the provisional settlement character of hegemony, means also drawing attention to disruptions which accumulate across sites and scales and interrupt compromises, even causing their breakdown, resulting in new efforts to restore, modify, or transform them through new compromises that reconfigure power relations and set new developmental trajectories.

**Passive revolution**

A supporting concept to describe the production of hegemony as a dynamic process of establishing compromises in the face of challenges and disruptions is Gramsci’s “passive revolution” (Gramsci, 1971, p. 106). It denotes a process of “revolution/restoration” (Gramsci, 1971, p. 109), where ruling groups, organisations, and ideas respond to structural problems and/or challengers by both selectively incorporating alternatives, yet

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5 This is the same kind of dialectical thinking applied by Marx, e.g., in his description of religion as both the ‘opiate of the masses’ and as the ‘heart in a heartless world’ (1983, p. 115), or his description of free labour as both emancipation from feudal domination but simultaneously dispossession from the means of production.
achieving a “restoration” through a forward motion that “revolutionizes” some aspects of society.

Thomas (2010, p. 151) describes passive revolution in two “forms”, first, “cautious, defensive measure[s]” taken by a weakened hegemon, which “molecularly absorb[s] leading figures of the subaltern classes and oppositional social movements into a consolidating state apparatus and its ‘representative’ organs in civil society”. This form, Thomas suggests, involves a degree of progressive movement, of “social and cultural elevation” (ibid). The second “form” involves the stronger “absorptive capabilities” of the state and of its ability for the “bureaucratic incorporation” of opponents and alternatives, what Gramsci calls ‘transformismo’. Both forms, he continues, seek to upend the possibility that alternative forces become hegemonic and initiate significant changes in the course of historical development (Thomas, 2010, pp. 151–152).

The concept of “passive revolution” – like that of hegemony – is disputed among scholars (Thomas, 2010), between those circumscribing it temporally and spatially, and others applying it more broadly to modes of political domination (see Callinicos 2010; Morton 2010). The usage by CPE – and that employed in this thesis – is the broad usage, referring to passive revolutionary qualities involved in the processes of producing and securing hegemony. For Sum and Jessop, the term is used “to examine the ways in which a social class maintains its hegemony through gradual, molecular changes – a “‘revolution’ without ‘revolution’”’ (Gramsci, 1971, p. 59) – that operate through passive consent, the decapitation of resistance movements, and absorption of opposition through compromise and concession” (Sum & Jessop, 2013, p. 351).

The concept of “passive revolution” has been used in the field of cultural political economy, to understand the pre-history of SIBs, namely, through Sum’s study of
Corporate Social Responsibility (CSR) (Sum & Jessop, 2013, pp. 324–351). In it, she describes the interplay of disciplinary neoliberalism and its “new constitutionalism”, which erodes the moral basis of politics, produces a societal push-back from labour and environmental groups, which results in a ‘new ethicalism’ renegotiating compromises between international firms and local producers. In her analysis, Sum demonstrates how the concept of ‘passive revolution’ helps explain CSR, as conflicts between corporations (in her case Walmart) with workers and environmental groups are resolved through a ‘new ethicalism’ which integrates opposition through the provision of partial concessions, but does so in such a way that is weighted towards the more powerful coalition partners (Sum & Jessop, 2013, pp. 346–348). While alternative concepts, such as ‘recuperation’ help identify the absorption and fragmentation of alternatives, the concept of ‘passive revolution’ focuses on a double movement, both the ‘recuperative’ and the modernizing elements, analysing both potential advances achieved, and persistent or new limitations imposed upon the subaltern. This may shift the “unstable equilibrium of forces” onto new terrain while maintaining its imbalance. Such processes are analysed, Gramsci (1971, pp. 219–220) writes, to determine “whether in the dialectic of ‘revolution/restoration’ it is revolution or restoration which predominates; for it is certain that in the movement of history there is never any turning back, and that restorations in toto do not exist”.

The concept of ‘passive revolution’ strengthens the investigation of SIBs because it helps me contextualise the research object as part of an iterative process similar to the development of the ‘new ethicalism’ described above. Just as CSR is the outcome of a process of contestation over globalisation, SIBs might similarly be explained as a contestation over neoliberal capitalism. Just as Sum expanded our understanding of CSR,

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6 This case is discussed in the subsequent chapter historicizing SIBs.
by situating it within broad societal conflicts of the 1990s, the concept of ‘passive revolution’ can be equally productive in the analysis of SIBs by considering the incorporation of critics of neoliberalism since the crisis of 2008. It investigates how the crisis of neoliberalism and the blocked post-neoliberal transformation produces a ‘compromise’ to deal with both structural contradictions and social conflicts. If “moral capitalism” is an “echo of popular scepticism and outrage about the crisis of the present”, as Clarke (2010a, p. 388) writes, this process of incorporation might be described as a passive revolution. The concrete investigation of SIBs aims to understand the encounter between competing strategies, and how these are combined and reworked in the process.

2.4. Making meaning and building structure

In investigating the stability, change, or transformation of social relations and hegemonic formations, CPE begins from the fundamental ontological assumption of the endless complexity of the social and natural world, and investigates the processes by which it is reduced, and with it, social orders are reproduced. It assumes that the social and natural world can neither “be grasped in all its complexity” nor allow for “all permutations of social relations [to] be realizable in the same time-space” (Sum & Jessop, 2013, p. 3). This impossibility necessitates processes of “complexity reduction”, processes of “enforced selection”, which “select” or privilege some meanings and social practices over others. CPE research investigates complexity reduction through semiosis (i.e. sense- and meaning-making) and structuration (or ‘structure building’).

This means that the endless variety of possible perspectives is reduced through the selection of some aspects of the social and natural world as meaningful over others. Here, making sense of the world means making it “describable”, and “calculable”, and enabling
actors thereby to navigate and participate in it. But these interpretive acts are also productive, i.e. they generate meaning, co-constructing in an “intersubjective” process, the terrain determining what may be imagined as possible and ‘reasonable’ social action. “[C]onstruals”, Sum and Jessop (2013, p. 4) write, “may shape the natural and social world in so far as they guide a critical mass of self-confirming actions based on more or less correct diagnoses of unrealized potentials”. Drawing on Marx, they write that “construals become a ‘material force’, that is, have durable transformative effects in the natural and social world” (2013, p. 4). This emphasizes the way particular discourses, narratives, and identities come to be elevated and institutionalized over others in specific spatio-temporal contexts.

The second mode of complexity reduction is structuration or “structure building” (Sum & Jessop, 2013, pp. 4, 149), involving “the emergent pattern of social interactions” (Jessop, 2010, p. 338). This narrows existing and potential social practices from the endless variety through the establishment of social organization. This is regarded as an ontological necessity. “If [social interactions] are not to be random, unpredictable, and chaotic, it is essential that possible connections and sequences of action are limited” (Jessop, 2010, p. 338). In other words: “not everything that is possible is compossible” (2013, p. 24). “[I]n contrast to the immense variety of individual elements of a social formation that are possible when considered in isolation at a given point in space-time,” they write, “there is a smaller set of elements that can be combined as articulated moments of a relatively coherent and reproducible structure” (2013, p. 24). Structuration then,

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7 “This limits the chaotic variation of social relations in a given spatio-temporal matrix but cannot eliminate all interstitial, residual, marginal, irrelevant, recalcitrant and plain contradictory elements. Indeed these may provide redundancy and flexibility in the face of crises. In addition, a key part of securing order within a given spatio-temporal framework depends on the capacity to displace and defer problems elsewhere and into the future” (Sum & Jessop, 2013, p. 24).
means the narrowing of “the chaotic variation of social relations in a given spatio-temporal matrix” (ibid), and hence stabilizing the social order. It means that certain social and institutionalized practices reduce – yet without eliminating – the variety of possible kinds of social action and interaction by setting the forms, principles, parameters, and logics of social organization and institutions.

2.5. Three moments of development

In investigating the production, disruption, modification, or potential transformation of given social configurations, CPE offers a three stage schema involving the evolutionary mechanisms of *variation*, *selection*, and *retention*. Demonstrating the usefulness of this approach, Sum and Jessop refer to moments of crisis, which can set off this evolutionary development. First, by disrupting established and accepted norms and social practices, they can trigger the *variation* of competing interpretations of the crisis and generate multiple crisis governance strategies [including, among others, that of “responsible” or “ethical capitalism”] (Jessop, 2012), a struggle over the *selection* of some strategies over others, and finally their *retention* (or implementation) in specific socio-temporal contexts, including specific policies.

*Variation*

The first stage initiating societal change and evolution is the disruption of an inherited mode of societal reproduction, or mechanisms within it. This denotes the moment(s) “when a set of social relations (including their connection to the natural world) cannot be reproduced (cannot ‘go on’) in the old way” (2013, p. 396), or, “when established patterns of dealing with structural contradictions, their crisis tendencies, and strategic dilemmas
no longer work as expected and, indeed, their continued reliance thereon may aggravate matters” (Jessop, 2010, p. 346).

Such breakdowns may trigger dissonance among persons as inherited theories fail to adequately make sense or explain such events, “disrupt accepted views of the world and how to ‘go in’ within it and also call established theoretical and policy paradigms into question” (Sum & Jessop, 2013, p. 395), whether these are consciously or unconsciously accepted. This involves the de-naturalisation and “(re)politicization of sedimented discourses and practices” (Sum & Jessop, 2013, p. 404), which can affect “prevailing meta-narratives, theoretical frameworks, policy paradigms and/or everyday life” (2013, p. 414).

Such cognitive disorientation can also “open the space for [the] proliferation (variation) in crisis interpretations” (2013, pp. 402–403), where alternative narratives are articulated which identify, construe, and explain the causes of breakdown, and which advance corresponding ideas for new or modified courses of action. Or as Eagleton (1990, p. 26) writes, for “much of the time, our intellectual and other activities bowl along fairly serenely”. But these “taken-for-granted activities” can “falter, log-jam, come unstuck, [or] run into trouble”, as they encounter ‘internal’ or ‘external’ pressures – or their combination. At such junctures “theory proves necessary” (ibid). It is “just a practice forced into a new form of self-reflectiveness on account of certain grievous problems it has encountered”, he writes (ibid).

What happens in such moments is semiotic change, Jessop and Sum (2013, p. 166) write, involving the selection of other aspects of reality as meaningful, and their “transform[ation] into objects of observation, calculation and governance”. Such discourses range in breadth and depth, from those seeking to restore, modify, or
potentially transform them, and hence initiate a change in society’s developmental trajectory. The possibility for semiotic variation, for new meanings to advance, and for new societal paths to develop, depends however, upon social action (Sum & Jessop, 2013, p. 49). Different “economic, political, and intellectual actors” compete to “remake extant objects of governance and/or introduce new objects” (Sum, 2012, p. 6), hence to “remake the objects of governance discursively and materially” (Sum, 2012, p. 10). This is achieved by building a “new discursive chain” that “reinforces these objects of governance in part through interdiscursivity” (Sum, 2012, p. 6), and the “recontextualisation at different sites and scales” (Sum & Jessop, 2013, p. 220).

In this stage, “[s]ocial forces try to make one or another imaginary the hegemonic or dominant ‘frame’ in particular contexts” (Sum & Jessop, 2013, p. 171). They seek to achieve “consensus on interpretations about a crisis (or crises) and its (or their) most salient features”, and do so relationally, interacting with competing actors and initiatives. Such initiatives determine “private and public strategic and policy initiatives to manage the crisis and/or move beyond it” (Sum & Jessop, 2013, pp. 404–405). By framing an issue, they seek to “make one or another imaginary the hegemonic or dominant ‘frame’ in particular contexts and/or to promote complementary or opposed imaginaries” (Sum & Jessop, 2013, p. 171).

**Selection**

The second stage in this process is “selection”. Whereas semiotic variation produces new narratives in a moment of cognitive disorientation and social disruption, *selection* reduces complexity by narrowing semiotic variation, building a new consensus that is also institutionalised.
In this stage, some discourses are “privileged” over others in “representing social phenomena” and “for interpreting events” and “legitimizing actions” (Sum & Jessop, 2013, p. 185). Selection involves the progression from discursive construal to social structuration, where, in reference to crises, some “imaginary paths to recovery” are “translat[ed] into specific social responses” (2013, p. 403), which begin to dominate common sense, and (re)shape collective action and institutional logics in the state and civil society.

Selection involves then also the narrowing of semiotic variation by “limiting possible combinations of semiosis and semiotic practices” (Sum & Jessop, 2013, p. 185), showing struggles between actors and actor groups, or social forces, between competing strategies, in the struggle for hegemony.

A critical component of CPE is understanding these evolutionary mechanisms as part of historical processes, analysing changes in social formations by analysing strategic action while accounting for contextual biases (Sum & Jessop, 2013, p. 150). In fact, Sum and Jessop write that “[r]evealing these biases and the variable scope for strategic action in different periods and conjunctures is the key to Herrschaftskritik” or the critique of domination or power (Sum & Jessop, 2013, p. 150). Accordingly, the selection of one imaginary over another “is not reducible to narrative resonance, argumentative force or scientific merit alone (although each may have a role)” (Sum & Jessop, 2013, p. 405), but must be analysed as the outcome of strategic action in a selective context, which:

“creates a complex assemblage of asymmetrical opportunities for social action, privileging some actors over others, some identities over others, some ideal and material interests over others, some spatio-temporal horizons of action over
others, some coalition possibilities over others, some strategies over others and so on” (Sum & Jessop, 2013, p. 150).

In such contexts, selection is not determined from the outset but rather is the outcome of struggles between individual and collective actors who reflexively “take account of this differential privileging through ‘strategic-context’ analysis when choosing a course of action” (Sum & Jessop, 2013, p. 49).

The movement from variation to selection reduces unstructured complexity – where multiple imaginaries rest aside one another – to a structured one, where some imaginaries prevail as dominant discourse and common sense, and contribute to structuration by shaping social action as they are operationalized in social organisations and determine institutional practices. “The greater the range of sites (horizontally and vertically) in which resonant discourses are retained, the greater is the potential for effective institutionalization and integration into patterns of structured coherence and durable compromise”, which means also that “the constraining influences of complex, reciprocal interdependencies will also recursively affect the scope for retaining resonant discourses” (Sum & Jessop, 2013, p. 185).

In explaining the resonance of Social Impact Bonds, the task is then to provide an explanatory account as accurate as possible, for this second stage, of:

“why and how some construals are selected, get embodied/embrained in individual agents or routinized in organizational operations, are facilitated or hindered by specific social technologies and affordances, and become embedded in specific social structures ranging from routine interactions via institutional orders to large-scale social formations” (Jessop, 2010, p. 339).
The hegemony focus of CPE emphasizes too that the selection of an imaginary is a relational process, where this is not adopted as an hermetically sealed object wholly different from its alternatives, but rather involves the re-contextualisation in a given context in relation to other discourses and social and institutional practices, with the renegotiation of existing compromises towards a new, and often asymmetrical settlement, involving the “allocat[ion] of costs” (Sum & Jessop, 2013, p. 405), and the “absorption of opposition through compromise and [material] concessions” (Sum & Jessop, 2013, p. 351).

The ultimate selection of one imaginary in organisations and institutions affects the “contours, forms, norms, procedures and practices” of collective action, and “impose[s] a developmental trajectory” upon the state and civil society (Hay, 1999, p. 331) about which kinds of action are, and are not, possible.

Retention

The selection of a certain imaginary to make sense and meaning of some aspects of reality, and to provide [theoretical, logical, or value-based] guidance for collective action requires approval within existing institutions and social practices, and its translation into coordinated action. The third phase involves the sedimentation of some narratives over others as common sense and as organizing principles of social conduct, and their structuration through the “theoretical, interpretative and policy elaboration” in organisational and institutional practice. The third stage, of retention, shows how ideas are embedded and how they contribute to structuration. In this moment, “particular interests, norms, and ideas, as well as forms of compromise, organization of power, etc., become state – and hence public – policy” (Brand, 2014, p. 433). This structuration
defines the contours for what is regarded as “reasonable and viable action, frameworks and thinking” (2014, p. 433). Such achievements materialise “relatively durable patterns of social compromise” (Sum & Jessop, 2013, p. 405), social contracts defined not only by consensus between involved parties, but also define an outside set of ideas and practices that are excluded. Compromises secure not only interests of involved parties, but also “determines the conditions of possible polarizations” and “define[s] what might emerge as opposition and as a hostile force against the balance achieved by compromise” (Demirović quoted in Brand 2014, 433).

**Disruption**

These three evolutionary mechanisms provide an overall general approach towards investigating change and stability in social relations. But CPE’s critical realist ontology treats the achievement of such settlements not as final nor automatic, not as a reified object, but as dynamic social relations requiring work to constantly reproduce the social order. The “fit between imaginaries and real, or potentially realizable, sets of material interdependencies in the economy and its embedding in wider sets of social relations,” Sum and Jessop (2013, p. 405) write, is “always limited and provisional”. Tensions in achieved settlements, in newly sedimented meanings and forms of structuration, can always trigger a new cycle of negotiation, when social practices fail to continue to produce expected and routine outcomes, when they become internally conflictual with other sets of social practices, or when divergences between them and discourses, identities, values, etc. accrue. Such divergences can promulgate cognitive disorientation and compose new ‘urgences’ towards which new ‘problematizations’ (Foucault) are generated, hence potentially initiating the evolutionary mechanisms of variation-selection-retention anew.
CPE understands the retention of certain imaginaries as spatio-temporal settlements or “fixes”, or as “unstable equilibria of compromise”, which are never complete, and require constant reproduction, and are always liable to encounter tension. There is the possibility of disruption, which leads to the beginning of the process again, based however not on unstructured terrain but rather one shaped by struggles of the past. Because hegemony is a concept for capturing a dynamic set of social relations, rather than static and fixed object, it is understood as a never-completed project, but rather always requiring its reproduction. Hence, the end of this process is the starting point for the next one, in an infinite cycle of renewal and disruption. Achieved settlements are the grounds and terrain upon which new challenges, contestations, restorations, modifications, and potential transformations, occur.

2.6. Historical materialist policy analysis
The main part of this chapter has focused on the cultural political economy perspective (Jessop, 2004, 2010; Sum, 2012; Sum & Jessop, 2013), and its dynamic understanding of hegemony and how it is produced, maintained, and modified. This involves strategic action in a context of structural selectivities. The rest of this chapter enhances this account by drawing on historical materialist policy analysis. There are two main issues discussed here. In the first part, I focuses on HMPA’s concept of ‘hegemony projects’. This helps us to identify specific actor groups within the processes of hegemony struggles, and to analyse the competing between groups based on their proposals for social restructuring that lead in contradictory directions. The second part focuses on HMPA’s concept of policy as a ‘politico-strategic terrain’. This is important because it allows us to connect broad ‘hegemony projects’ to the analysis of circumscribed political initiatives. For HMPA, policy is a field of struggle for the advancement of middle or long-term
objectives. But CPE’s understanding of hegemony in relational terms and as a compromise formation, allows us furthermore, to analyse policy not in terms of a single ‘hegemony project’, but rather as part of the contested terrain, by which multiple actors compete to operationalise their goals, visions, and interests.

2.7. Social forces and ‘hegemony projects’
As described above, CPE conceives the production of hegemony as a dynamic process of relationality between multiple social forces. It is understood as a struggle between competing forces each seeking to determine which ‘objects of governance’ are ‘selected’, how they are ‘construed’, and how they are discursively and materially reshaped. Different actors “try to make one or another imaginary the hegemonic or dominant ‘frame’ in particular contexts” (Sum & Jessop, 2013, p. 171), and do so by creating a consensus around such a perspective, and lend legitimacy to certain forms of collective action and institutional practices. As Fairclough writes, this ‘select[ion] [of] parts of the world’ involves their ‘representation from a particular perspective’ (Fairclough, 2003, p. 129). For this reason Jessop and Sum speak of different social imaginaries or ‘crisis construals’, related to competing ‘crisis management strategies’.

This perspective is helpful to critically examine SIBs. This approach allows us to challenge the dominant portrayal of this policy as a singular, stable, and unitary narrative – commonly represented in the think tank literature – by investigating the tension between a multiplicity of meanings within the policy, the negotiation and provisional compromise achieved between them, and its remaining instabilities. Hence, the analysis focuses on the multiple and even diverging projects of restructuring, the varieties of crisis construals and perspectives, and the range of forms of action present in SIBs. ‘Ethical capitalism’ is
understood as a contingent assemblage based on asymmetrical power relations in the current societal conjuncture and specific political contexts.

Hence, SIBs are initially reconstructed as a site of convergence between varying interpretations and ‘crisis management strategies’. But it does not stop here, but instead, reconstructs also the second moment in the process of ‘complexity reduction’ whereby the variety of perspectives is reduced, both through the exclusion of alternatives, and also their partial incorporation. It investigates the building of provisional settlements between these diverse positions, and the implementation of such ideas in collective action, considering finally, potential disruptions, especially following the completion of the projects.

Reconstructing the struggle over hegemony in the post-2008 context then involves an actor analysis considering the competition between ‘crisis management strategies’ with their related ‘crisis construals’. As Hay writes, “[f]orms of restructuring are the subject of ideological and political contestation as competing parties, and projects, vie for state power by offering alternative visions and projections of the future trajectory of the state” (Hay, 1999, pp. 330–331). Out of this contest arises “a dominant crisis narrative” which is “linked to a distinctive state project and a new political-economic paradigm” (Hay, 1999, p. 331). (Hay’s limited focus on political parties in this selection can be broadened and applied to struggles situated throughout society, and cultural political economy focuses especially on the sites of civil society.)

Such strategies link crisis narratives with efforts to restructure collective and institutionalized social action. The “discursive reconstitution” of the state, economy, or broader societal category is treated “as an object in need of decisive intervention and as the object of strategic restructuring” (Hay, 1999, p. 331), and this effects “the contours,
forms, norms, procedures and practices that characterize an emergent state regime” (Hay, 1999, p. 331), and its relations to the economy or social life more broadly.

In a similar way, Sum argues that, in seeking hegemony, “economic, political and intellectual actors compete across different scales to remake the objects of governance discursively and materially” (Sum, 2012, p. 10), and turn them into “objects of observation, calculation, regulation, governance and transformation” (Sum & Jessop, 2013, p. 173). Social forces then seek to generalize their own positions, and determine what becomes accepted as “the basis for private and public strategic and policy initiatives to manage the crisis and/or move beyond it” (Sum & Jessop, 2013, p. 405).

Yet, as Caterina (2017) argues, such an actor analysis can be greatly enhanced by historical materialist policy analysis’ idea of ‘hegemony projects’ (Brand, 2014; Forschungsgruppe ‘Staatsprojekt Europa’, 2014; Kannankulam & Georgi, 2012, 2014). This is because it can provide more precision to CPE’s conception of hegemony as an iterative process of development. Whereas CPE emphasises variation and ‘complexity reduction’, HMPA seeks to identify the political character of these differences and their fusion. To investigate SIBs from a strategic-relational approach means investigating the substantive differences between actors who encounter one another in policy processes and hegemonic contests, and who seek to make their ideas dominant, but also to achieve beneficial settlements according to their political goals. The identification of such political differences can be achieved through ‘heuristic theorising’ (Beauregard, 2012, p. 481) to identify “specific aspects of reality or ways of thinking” over other ones, which the researcher regards as key to “the phenomenon under review” (ibid).

Such heuristic theorising is sought through HMPA’s idea of mapping the constellation of forces in a given conjuncture and political context, relative to the research object.
Whereas scholars developed abstract sketches and hypothetical formulations of possible post-2008 political-economic scenarios in the immediate aftermath of the crisis (Brie, 2009; Wallerstein, 2011), HMPA translates these into a modus of identifying existing forces situated in the specific political conjuncture, which can be investigated for their impact upon its trajectory. Similar to CPE’s conception of ‘crisis management strategy’ (Sum & Jessop, 2013, p. 406), Kannankulam and Georgi (2014, pp. 63–64) propose developing a heuristic of ‘hegemony projects’ to “conceptually group together strategies and their protagonists” into “aggregations of similar but not necessarily consciously motivated tactics and strategies of actors”, which have a “common direction”. These projects are the combined strategies of discursive and material intervention to select, construe, and remake the ‘objects of governance’ described by Sum and Jessop above, involving narratives, demands, aims, and specific political projects (Kannankulam & Georgi, 2014, p. 64). For clarification, the term ‘hegemony project’ refers not only to already hegemonic projects, but also to those striving to become hegemonic.

The actor map helps to organize the data of concrete investigations by conceptually linking the multiplicity of discourses, values, demands, practices, and actors to specific projects with certain intended directionalities. Yet while HMPA proposes an inductive method to investigate the impact of different actors upon the object of investigation, I deploy a deductive method to identify the lines of conflict between competing hegemony projects through the case analysis. Perceived as a more open approach, the aim is to avoid confirmation bias in representing the projects, and instead to discover what kinds of conflicts and resolutions are contained in the effort to link markets with notions of ‘public responsibility’, and to identify competing visions, and the actors advancing diverging strategies. This approach is regarded as particularly helpful because of the diffuse
presence of competing ideas within the project, which do not clearly originate from divisible policy actors or their organisations. Instead, the dynamism of the policy practices can be reconstructed by identifying these conflicts, their provisional resolutions, and their remaining tensions.

2.8. Policy as ‘strategic terrain’ and ‘unstable compromise’
This section describes how CPE is enhanced by HMPA in a second way, namely through its focus on policy as a ‘politico-strategic terrain’ for the intended operationalisation of ‘hegemony projects’. Relatively, I discuss how we can enhance the analysis of multiple competing projects with the idea of provisional, asymmetrical, and ‘unstable compromise’ between the competing projects. Following Caterina (2017, p. 5), HMPA supports the investigation of hegemony by making them more concrete. One of its ‘key conceptual innovation[s]’ is the way it relates broad-based ‘hegemony projects’ to more circumscribed ‘political projects’ or policy (ibid). As Kannankulam and Georgi (2014, pp. 64–65) write: “[I]n order to achieve hegemony, a hegemony project must place in position a series of concrete and limited ‘political projects’ (Bieling & Steinhilber 2000: 106) in such a way that these projects form the politico-strategic ‘terrain’ on which a hegemonic project then condenses.” Such ‘political projects’ can be understood as specific policies. A “systematic focus on the relationship between overarching hegemony projects and the series of concrete limited political projects on which hegemony projects draw” Caterina (2017, p. 6) argues “can be fundamental to improve CPE empirical analyses of hegemony struggles, as it helps to make the nature of hegemony more concrete.”

Conceiving policies as a ‘politico-strategic terrain’ coheres with CPE’s conception of strategic action discussed above, as reflective and calculative action on a strategically
selective terrain. But CPE’s conception of an *iterative* process of social formation and hegemony construction should not be lost. The ‘politico-strategic terrain’ can be inhabited by multiple competing projects. And as Brand writes, “[s]pecific policies can be understood as unstable compromises among social forces which are formulated through specific state apparatuses or even groups or alliances in particular apparatuses” (Brand, 2014, p. 436). Hence it becomes possible to represent this multiplicity through the reconstruction of SIBs, as an object of research at the intersection of competing hegemony projects, and as a provisional and uneven settlement between them in a specific spatio-temporal context.

But it is important to distinguish these concepts of ‘compromise’ or ‘settlement’ from the idea of a democratic process, which these terms might otherwise imply. While CPE and HMPA share with the democratic idea the view of a plurality of forces in their relationality to one another, rather than the expression of a single force, or the expression of a structure, they do not mean ‘negotiation’ in the form of a round table. Instead, both theories draw from Poulantzas (2014), who described the (integral) state as the ‘material condensation of a relationship of class forces’ (Brand, 2014, p. 432). In this way, policy may be understood as the outcome of these struggles situated on “strategic terrain” of the state with its existing set of power relations. Reconstructing such ‘compromises’, Brand writes, “is an empirical question” (2014, p. 432).

**2.7. Conclusion**

This chapter presented my theoretical framework to transform my research topic into an object of investigation. I described the production and potential modification of neoliberal hegemony, as a way of analysing ‘ethical capitalism’ and social impact bonds. This equips me with the analytical tools to answer my research questions. To reiterate, these are: How
can we conceptualise ‘ethical capitalism’ as part of the struggle over hegemony? What does it seek to modify in the existing hegemonic formation, and what does it seek to maintain? How do these efforts to link market governance with notions of ‘public responsibility’ and structures of accountability differ or cohere to dominant concepts and practices of contemporary neoliberalism? How might these projects be understand as the encounter, struggle, and provisional negotiation between advocates of market rule and those seeking alternatives to it? Might such approaches be understood as ‘progressive neoliberal’ compromises? Do these projects reflect the continuation of market rule, achieve instead the economy’s re-embedding, or a new combination of each of these efforts? What role does ‘ethical capitalism’ play in the broader struggle over hegemony? Are they a continuation of market governance, part of a transition to a post-neoliberal future, or a passing moment?

The following chapter presents the research strategy and methodology for the concrete investigation of these questions as an analysis of Social Impact Bonds as part of the struggle over hegemony since the crisis of 2008.
3. Chapter 3 – Research Strategy and Methodology
This chapter explains how I go about analysing my object of investigation and answer my research questions. I present the research strategy, design, and methodology for these tasks, describing the concepts and tools deployed to interrogate Social Impact Bonds as part of the iterative process of post-2008 political economic developments, and the reproduction and remaking of hegemony.

3.1. Research sample
In order to concretely investigate ‘ethical capitalism’ as part of the struggle over hegemony, I’ve selected the following research sample. ‘Ethical capitalism’ is a general term for a wide set of ideas and practices about ways of making market governance more responsible or accountable to society. It has included examples from corporate social responsibility, ‘inclusive growth’, cooperative enterprises, the ‘social economy’, and the like. Within this broad field, I am concerned with the more limited example of the ‘social investment market’, a set of initiatives that have rapidly expanded since the crisis of 2008, which seek to link financial products with some measurement of positive social ‘impact’ (see chapter 4). A central example of the SIM is the Social Impact Bond (SIB), which represent the specific object of investigation for this research project. The criteria for selecting this research sample is twofold. First, SIBs have a central symbolic value for efforts to advance an ‘ethical capitalism’, as articulated, for example, by the OECD (2010) which describes SIBs as an institutional development towards the achievement of ‘sustainable social progress’ (see also chapter 4). SIBs’ symbolic value for the ‘social investment market’ is also of major significance, promoted by the G8 (2014, p. 6) as well as its national advisory boards in the U.K. (UK National Advisory Board to the Social

The second selection criteria is a theoretical one. This has to do with the way SIBs are framed as a crisis management strategy aimed at addressing three problems of contemporary capitalism, namely the crisis of social reproduction, the fiscal crisis of the state, and crisis of capital accumulation (Dowling & Harvie, 2014). (This is discussed in detail below).

3.2. Research strategy: case studies

Social scientists emphasise that a case study approach can be a valuable research method in explaining dynamic societal processes (Danermark, Ekström, Jakobsen, & Karlsson, 2002; Easton, 2010; A. Sayer, 2000; R. A. Sayer, 1992). This investigation deploys a case study approach (de Vaus, 2001) to study the operationalization of Social Impact Bonds. My aim is to provide a descriptive and explanatory account of SIBs and the SIM as a crisis management strategy, in terms of both their discursive or ideological intervention, and their impact upon processes of material structuration, and to also infer the causes for their growing resonance in specific spatial-temporal contexts.

A case study strategy is especially well suited to these research objectives, because as a methodological approach, it allows for qualitative research into the object that respects its social embeddedness and seeks to illuminate the multi-casual factors behind its development. Hence, this approach will enable me to present the research object as a whole and within its societal context (de Vaus 2001: 220). Case study research allows for an investigation of the holistic character of the cases as well as the embedded units of analysis within them (de Vaus 2001: 220-221). This will allow me to consider the policy
in relation to critical features of the social context, as well as to consider the sublevel or constituent elements (ibid). It allows for thick descriptions of the projects under investigation, without isolating them from broader social, political, or economic trends (de Vaus, 2001, p. 234). In doing so, it allows one to reflect on their research object’s contingent and provisional character. They are assemblages of practices and ideas, which are not necessarily coherent, but are made to correspond in a working relationship.

Case study research also allows for the use of multiple data sources (de Vaus 2001: 230-231), which can be compared with one another in a process of triangulation, and also to identify relevant conflicts. And case studies can also be used to achieve generalisation, by focusing on the links between cases, and between theoretical propositions (de Vaus, 2001, p. 237). The cases allow for an investigation of a concrete process from which informed conjectures can be made about similar projects in other contexts, and related to existing theories about restructuring attempts. This process of generalisation involves abstract theorisation that argues, based on observed case studies, that these are examples of broader social and political developments. I must provide a convincing argument that links my presentation of the character and causes of the observed SIB examples with the broader movement of SIBs as a crisis management strategy or hegemony project, and to the SIM and ‘ethical capitalism’. In case study research, such generalisation is of a theoretical rather than statistical kind. This is possible when the examined sample shares important features with the general population, and SIB discourses resemble those of the broader social investment market.

The ultimate aim is to re-present the policy as a hegemony project, or more specifically, as an encounter between multiple hegemony projects and their (asymmetrical) compromise. This allows me to show the presence of alternatives within ‘ethical
capitalism’ – that is, its relational character – but also the constraints upon such alternatives. Second, I can present ‘ethical capitalism’ as a project running parallel to the dominant modes of hegemonic restoration based on ‘post-democracy’ and coercion. Bringing these together, I argue that the incorporation of alternatives into a market governance project result also from the blocked post-neoliberal transition in the current conjuncture.

3.3. Case selection
As described below, my case studies investigate the world’s first Social Impact Bond in the U.K. city of Peterborough and the first U.S. example in New York City, both focusing on the social policy area of criminal justice, and seeking to reduce levels of incarceration.

Three criteria were used in this case selection. First, I selected cases from the broader population of SIBs based on their national context. The U.K. and U.S. were chosen because of their leadership role in the development of SIBs, and are therefore not outliers, but rather cases which are inspiring similar projects elsewhere. This also allowed for a cross national comparison providing an idea of where these developments might lead.

The second criteria was a practical decision based on the amount of data on the cases. As two of the first projects, I was able to collect data during the policy implementation in both cases and following both of their completion. Whereas much of the literature, at the beginning of my research project, was based on the theory of SIBs, I was able to investigate the practice and the outcomes of these experiments. The third criteria relates to the policy area of criminal justice. Both the Peterborough and New York City cases focused on the issue of incarceration, and sought to reduce the high levels of re-incarceration in both locations. Whereas other SIBs focus on areas of health, housing,
employment, the common social policy provided an additional commonality for comparative analysis.

**Case 1: The Peterborough Social Impact Bond**
The first case study is the Peterborough SIB, which operated between 2010 and 2015. The social objective was located in the field of criminal justice, and sought to reduce re-incarceration among 3,000 men released from short-term sentences at HMP Peterborough (Rand Europe, 2011; Social Finance, 2011). Multiple investors contributed a total of £5 million towards the project, which funded local organisations to administer preventative services to reduce recidivism. If these achieved the agreed upon target of a 7.5% reduction in recidivism, the Ministry of Justice agreed to pay a moderate return to the private investors. These returns were to be paid from the anticipated savings in criminal justice, due to reductions in police, courts, and remedial institution budgets. However, if the targets were not reached, this ‘pay for success’ model would not reward the investors, and they risked losing their capital.

**Case 2: The New York City Social Impact Bond**
My second sample is the New York City Social Impact Bond which was instituted from 2012 to 2015. As in the first case, the NYC project was in the area of criminal justice, with the social objective of reducing recidivism among adolescent detainees released from the city’s notorious ‘Riker’s Island’ prison (MDRC, 2013a). The city secured a £6.9 million [$9.6 million] investment from Goldman Sachs for the up-front financing of two community organisations administering preventative programs to youth in detention. If the programmes achieved the pre-set 10% reduction in reincarceration, the investor could expect a profitable return from the city, based on anticipated savings made through reduced criminal justice expenditures. If the project failed to hit this target, the
government was not responsible for repaying Goldman Sachs for its lost capital. (In this
case, a significant loan guarantee by Bloomberg Philanthropies would sharply reduce the
firm’s loss.) Especially important for this case is that, in contrast to the Peterborough
project, the New York Case achieves one of SIBs main objectives, namely, to involve
“mainstream” investors, not only foundations and charities. This case will provide the
opportunity to evaluate the theory that SIBs enlist private resources for public goods
through a mechanism that “blends” financial and social benefits.

3.4. Three objects of intervention
In the previous chapter, I described how policy may be conceived as a ‘politico-strategic
terrain’ of struggle for competing hegemony projects, each advancing different discourses
and pursuing different visions of social change (or restoration). This approach focuses on
the strategic action of diverse actors and understands policy as a provisional settlement
between diverging projects. Furthermore, I explained that both CPE and HMPA argue
that the struggle between different projects occurs through the selection, construal, and
discursive-material reshaping of different policy ‘objects’ (Brand, 2014, p. 426; Sum,
2009b, p. 186). My case analysis focuses on the encounter, negotiation, and resolutions
between these actors in terms of their reshaping of such ‘objects’.

There are three central ‘objects of steering’ which my case analysis focuses. These are
social, fiscal, and economic objects, and refer to the crisis of social reproduction, the fiscal
crisis of the state, and the crisis of capital over-accumulation and uneven growth
(described below). These categories were arrived at through an iterative process of
discovery that combined deductive with inductive reasoning. This drew first on the
expansive literature review by Fraser et al. (2016), predominantly of the ‘grey’ literature
produced mostly by what Rosenman (2017) calls the ‘social finance industry’. As Fraser
et al. explain (2016, p. 4), the majority of these texts were produced by think tanks, consultancy firms, investors, government agencies, and charities. Using a method of ‘interpretive synthesis’, these authors identify three central ‘narratives’ and ‘lines of argument’ present in the SIB literature. My own data analysis, of some of these same sources as well as others (described in the following chapter) confirmed and yet adjusted these, also with the help of theoretical texts on the subject. These include especially Clifton and Warner (2013) and Dowling and Harvie (2014). The former emphasise the fiscal dimension of SIBs, elements implicit in Fraser et al.’s work, but not fully developed. Dowling and Harvie (ibid) provide a more abstract formulation of SIBs, identifying most clearly their social, fiscal, and economic objects of governance, and, in line with CPE, describing this policy as a ‘crisis management strategy.’ (See also Harvie/Ogman 2017).

The three ‘objects of intervention’ are described here as the social crisis, fiscal crisis, and economic crisis.

1. The first object of intervention is the crisis of social reproduction (Dowling & Harvie, 2014, p. 8) (or, the ‘social crisis’), defined as the breakdown in the ways people “reproduce themselves, their cultures and their social relationships” (Bakker & Gill, 2003; N. Fraser, 2016). Against the background of deepening social crises since 2007/08, SIBs have targeted mental health issues and depression, homelessness, childcare needs, unemployment, and incarceration (Dowling & Harvie, 2014, p. 9; Whitfield, 2015, p. 30). In their substantial review of the SIB grey literature, Fraser et al. (2016, p. 7) confirm the central role played by ‘social crises’ in official SIB discourses, emphasizing “frequent articulat[ions]” of SIBs as a way to “prevent or ameliorate complex social problems”. Similar representations are present in the
popular literature, where SIBs are said to hold the potential to “solve society’s most intractable problems” (The Guardian, 2010a), to “save society” (The Independent, 2011), or even to “save the world” (Bank, 2012).

2. The second object of intervention is the fiscal crisis of the state, referring to the perception of over-burdening government debt (Dowling & Harvie, 2014, p. 7). In the context of fiscal crisis (see Blyth, 2013; Peck, 2012, 2014), policies of ‘fiscal consolidation’ or austerity have reduced the resources and budgeting options especially for city governments (Peck, 2012a). In this context, SIBs present the idea of ‘leveraging’, ‘mobilizing’, or ‘incentivizing private capital for public good’ (US National Advisory Board on Impact Investing, 2014), as a way of dealing with the contradiction between shrinking public resources and growing social need.

Fraser et al. (2016, p. 7) argue that one dominant narrative in the grey literature centres around “public funding cuts” and “resource allocation” problems, and presents SIBs as a “strategic opportunit[y]” in the context of fiscal constraint. Warner and Clifton (2013, p. 55) argue that SIBs enable “constrained city leaders to try to provide basic services in a time of austerity” by “raising private revenue”. The scheme is advantageous for its ‘risk shifting’ ability, “transfer[ing] risk from the public sector to the private sector” (2016, p. 7), or in other words, “privatiz[ing] the risks and shar[ing] the gains”. According to a central proponent of such arrangements, “investors bear 100 percent of the financial risk in an SIB” (Social Finance, 2012, p. 22). This fiscal strategy is framed for popular audiences as a “way to fund promising new programs at no cost to taxpayers” (The City of New York Office of the Mayor, 2012), as we see in the official press release for the New York City Social Impact Bond.
3. The third object of intervention is an *economic* one, namely the crisis of capital accumulation or profitability (Dowling & Harvie, 2014, p. 5). This refers to the economic slump since 2007/08, triggered by the collapse in values related to the U.S. housing market, and resulting vulnerability in financial markets for profitable investment (Harvey, 2010). Central here is also the extremely uneven development or economic polarization (Piketty, 2014), whereby capital and labour surpluses appear side by side and yet unable to be placed into productive relation. SIBs are presented as a response to this problem, articulating what Fraser et al. (2016, p. 7) call a “private financial sector reform narrative”. The SIB is supposed to satisfy needs of private market actors in their search for yield (through the production of ‘social value’). This is not only framed as a profitable solution for surplus capital (and investors), but as a course correction, to ‘offset’ “the anti-social, dangerous aspects of financial capitalism” (A. Fraser et al., 2016, p. 8). SIBs are expected to support the financial sector in “deliver[ing] inclusive economic growth that benefits everyone” (G8 Social Impact Investment Taskforce, 2014, p. 6).

3.5. Three modes of steering
The above section explains how SIBs contribute to processes of meaning making and structuration by intervening in three policy objects, namely, the social, fiscal, and economic crisis. This section explains the three modes of steering that reshape these objects. Chapter two discussed two modes of structuration, namely the production of meaning through *discourses* and the building of structures through *collective action*. The third mode of structuration mediates between discursive and material structuration and refers to ‘*knowledging and governing technologies*’, and draws from Foucault’s ideas about power and knowledge.
Discourse — The first mode of steering refers to systems of meaning making or discourse. In this research project, I rely on Fairclough’s concept of discourse, which, in collaboration with Jessop, has been integrated into CPE (Fairclough, Jessop, & Sayer, 2001). As discussed in the previous chapter, discourse refers to the semiotic aspect of social reality, or its systems of meaning, and particular discourses ‘select’ and ‘represent’ ‘parts of the world’ from a particular perspective (Fairclough, 2003, p. 124). In doing so, discourses intervene in social reality by changing or reinforcing existing conceptions of the world, and shifting normative ideas for justificatory and preferable forms of action or social structure. They are not solely descriptive but also prescriptive or ‘projective’, “representing possible worlds which are different from the actual world” and hence they are “tied in to projects to change the world in particular directions” (ibid). In changing meanings, they shape the possibilities and limitation of different forms of social action. In the case analysis, discourse is analysed as a way to select and represent the three policy objects discussed above, and to advance certain projects of desirable forms of collective action.

Furthermore, discourses operate at multiple ‘scales’. They have “different levels of abstraction” and may “generate a range of representations” (Fairclough, 2003, p. 124). In the case study analysis, I am concerned with how discourses steer both narrow and broad policy objects. Not only do SIBs represent re-incarceration, public debt, and recession in specific ways in New York City and Peterborough, they also draw on and generate broad narratives about the social, fiscal, and economic dimensions of crisis of neoliberalism, and advance preferred courses of actions.

The theory of hegemony described in the previous chapter also coheres with this conception of discourse because of the latter’s emphasis on differentiation and
relationality. A single case study, policy, or text holds multiple discourses or meanings. In fact, new discourses rarely emerge by clearly replacing an existing one \textit{in toto}, but instead, “the new is made out of a novel articulation of the old” (Fairclough, 2003, p. 127). Hence, the case analysis investigates the encounter between multiple discourses, and how they are “articulated together by using vocabulary which works key categories within two [or more] discourses into semantic relations” (128), as well as the way certain elements are incorporated into the new formation, and how other elements of a discourse are backgrounded or excluded altogether. In particular I investigate the ‘social impact’ narrative, the fiscal narrative of ‘leveraging private capital for public good’, and the economic narrative of ‘producing shared value’, all as a response to specific issues in local contexts, and as more general responses to problems in contemporary neoliberalism in each national context.

The case studies analyse how discourses shape public perceptions and policy knowledge about social, fiscal, and economic problems or crises, regarding both their sources or causes, as well as their ‘imaginary solutions’. Accepted narratives also become resources which privilege certain judgments over others in the determination of the ‘correct’ methods for addressing problems.

‘Knowledging and governing technologies’ — Technologies refer to the cognitive tools which advance particular interpretations of social events, allowing for their categorisation, calculations, and organisations of social events into data. These instruments produce, stabilise, and regulate certain ways of interpreting the world, and thereby also shape the ways people act upon it. Jessop and Sum (2013, p. 477) drew this term from Foucault, and I use their concept in this investigation. They write that ‘technologies’ “govern [the] conduct” of “selecting and retaining specific imaginaries”
(ibid). Such “mechanisms”, contain discursive and practical aspects. They “provide reference points not only for meaning-making but also for coordinating actions within and across specific personal interactions, organisations and networks, and institutional orders.” (Sum & Jessop, 2013, p. 477).

My research investigates then, how such technologies translate ‘social impact’ discourses into mechanisms for interpreting complex social processes, how they establish analytical lenses and categories, and how they create regularity, predictability, and governability of social processes. I analyse also the fiscal interpretive instruments that assess possibilities that ‘social impact’ might have upon public savings and determining the shares distributed to investors as return, and the expected net savings for government. The cases are also analysed in the way interpretive technologies are deployed to translate economic narratives into knowledge practices, focused on the conceptualising and devising modes of circulating money through state, private, and civil society organisations, and devising links between risk, reward, and ‘impact’.

Collective action — The third mode of steering refers to collective action or social practices which intervene in and shape the three policy objects. I investigate which forms of collective action are used in order to achieve the goal of ‘social impact’? Which methods are deployed to reduce reincarceration? In relation to the fiscal policy object, I analyse the practice by which governments seek to ‘leverage private capital for public good”? How do they gain access to surplus capital and which practices enable it to circulate through public, private, and societal organisations? How do these practices distribute risks and rewards? Thirdly, I analyse how the economic policy objects are steered by social practices aimed at creating ‘shared value’ between government, investors, and society. Which forms of collective action are deployed in pursuit of the
goal of a mutually beneficial or ‘inclusive’ economy? And finally, which practical outcomes result from these strategies?

3.6. Data collection and sources
The cases are analysed with qualitative methods relying on three data sources, which were collected, using the following methods, and created the document archive. These data sources included grey literature from primary actors directly involved in each case study, as well as some secondary actors playing supportive roles, but not directly involved in the cases. These included local, regional, central, or departmental government commissioners; private, charitable, and institutional investors; non-or quasi-governmental organisations acting as project managers or ‘intermediaries’, service organisations, project evaluators, philanthropic organisations providing subsidies, and thinks tanks and international organisations (e.g. the G8) who contributed to the intellectual frameworks for these projects or their broader appeal, as well as those working directly on policy development and design. Documents included official publications, statistical documents, reports, press releases, newsletters and advertisements.

Documents from primary and secondary actors were located through direct browsing of these organisation’s websites. They includes, for the Peterborough case: Cabinet Office, Ministry of Justice, Big Lottery Fund, Big Society Capital, Social Finance organization, Rand Europe, Rockefeller Foundation, Centre for Social Impact Bonds at the Cabinet Office, St. Giles Trust, Ormiston Families, SOVA, Bridges Ventures, Barrow Cadbury Trust, among others. For the New York City case, I identified documents on the websites of the Mayor’s Office of New York City, Bloomberg Philanthropies, Goldman Sachs, MDRC, The Osbourne Association, Friends of Island Academy, and Vera Institute of
Justice. Further resources were collected through google searches with the search terms “Peterborough Social Impact Bond” and “New York City Social Impact Bond”. Additionally, primary sources were identified in reference lists from the secondary literature and from direct references from interviewees. For the two cases, the primary literature totalled 60 documents.

But I was not only interested in the representation, technologies, and practices presented by the primary actors, but also the broader significance of the cases for ongoing struggles over hegemony and meaning in the crisis conjuncture. For this reason, my data archive complemented primary literature with a second data type, namely, media documents in the form of electronic news items published on the websites of local and national press organisations (Bryman 2001: 377). These data sources provide a window into the public meaning of SIBs. They reveal dominant and competing perspectives, alternative evaluations and interpretations, and terms of debate. Such sources provide data about how SIBs are presented to the wider public, and material to be analysed for understanding how they resonate. For the Peterborough case, sources include the BBC, The Economist, Financial Times, the Guardian, The Telegraph, The Independent, Harvard Business Review, and Charity Finance News among others. Data from new sources included the organisations of The New York, The Financial Times, PBS, Reuters, Huffington Post, the Wall Street Journal, Bond Buyers, and Bloomberg News. Search terms included the keywords “Peterborough Social Impact Bond” and “New York City Social Impact Bond”. In order to focus on the re-contextualisation of these projects in the broader struggle over hegemony and meaning, I also included documents found under the key words “social impact bond”, “impact investing”, “shared value”, “pay for success”, without specific reference to the New York City or Peterborough cases.
Of the 90 total documents included in this archive, and organized in the Zotero electronic bibliography management system, a representative sample of 50 documents was selected for analysis. The strategy of document analysis is described later in this chapter.

I used a third type of data, namely semi-structured interviews. Interviews are an important data source for my research project and raise ethical issues and researcher self-awareness. Interviewees are regarded with respect and measures were taken to protect their rights and upheld ethical standards in my relationship with these important participants. Interviewees were informed through digital communication and verbally about research goals and publishing intentions, and they consented to the use of their comments in my research project in anonymised form. Their contribution was highly respected and I protected their confidentiality. An additional aspect of research ethics is the trustworthiness, credibility, and dependability of my analysis. It was important to me to represent my interview partners with accuracy and care. One technique I used was to summarise interview partners’ statements in my own words and to ask them whether it reflects their opinion accurately. This not only helped confirm statements, but provided the opportunity to achieve a more nuanced understanding of the issues. I also immersed myself in the field, seeking multiple sources of information to triangulate research hypothesis and corroborate conclusions. Furthermore, I addressed issues of credibility in my research investigation by engaging with other experts in the field, including those whose work differs from my own, and providing ‘thick descriptions’ that allow readers to understand the cases themselves at a deep level, and to make their own judgments, and even potentially transfer my findings to other settings and test their applicability.

Interviews with key stakeholders are used to access important data not available in documentary sources. I conducted 30 semi-structured interviews with policy actors
involved in the two cases. There are significant advantages in using interviews. As Denscombe (2010, p. 173) explains, they help in the collection of qualitative data, especially when “people’s opinions, feelings, emotions and experiences” are at stake. This format allows for the capturing of rich descriptions of the meanings given by important actors in the case. The interview provides a way for issues “to be explored in depth and in detail rather than simply reported in a word or two” (Denscombe 2010: 174). An additional advantage of interviews is that they allow for access to “privileged information” (Denscombe 2010: 174). “The depth of information provided by interviews can produce best ‘value for money’ if the informants are willing and able to give information that others could not – when what they offer is an insight they have as people in a special position ‘to know’.” (Denscombe 2010: 174). In these cases, it is then the ethical responsibility of the researcher to offer and respect requests from interview partners that information be anonymous.

Semi-structured interviews provide the best degree of organisation and flexibility “to let the interviewee develop ideas and speak more widely on the issues raised by the researcher. The answers are open-ended, and there is more emphasis on the interviewee elaborating points of interest” (Denscombe 2010: 175). It allows for the respondents to reveal the meanings they attribute to words, concepts, and ideas, in ways that may differ from common or specialised usage, allowing for a deeper and more complex understanding of the meaning given by actors towards the policy under investigation.

Interviews were conducted with all ‘stakeholder’ groups, including government, private, and civil society organisations. For the Peterborough case, these interview partners included the following government organisations: The Cabinet Office, the Ministry of Justice, the Peterborough Council, and the Centre for Social Impact Bonds at the Cabinet
Office. Non- or quasi-governmental organisations included the Social Finance organization, which acted as project manager of the Peterborough case, Big Society Capital, and the Big Lottery Fund, which provided financial and intellectual support for the project. Private actors include the investors Bridges Ventures, the Barrow Cadbury Trust and Friends Provident Foundation. Civil society actors include the St. Giles Trust, Ormiston Children and Families, SOVA, the One Service, and Rand Europe. Interviewees in the New York City case included the government organisations of the Mayor’s Office of New York City, private organization providing financial support, Bloomberg Philanthropies, as well as the non-governmental organization acting as ‘project manager’, MDRC, and the service organisations The Osbourne Association and Friends of Island Academy. Additionally, I spoke with the evaluator, the Vera Institute of Justice, and the policy development organisations, the Nonprofit Finance Fund, CLASP, and the Social Impact Bond Technical Assistance Lab at the Harvard Kennedy School.

Interview respondents were identified through direct contact with stakeholder organisations, and additional contacts were made through the snowball effect. They were conducted in person in New York City, Peterborough, and London, or by telephone, between September 2014 and February 2018. The interviews lasted 40 to 60 minutes in duration, and were anonymised to protect the identity of interview partners. Interviewees were asked to represent the cases from their own perspective, to explain the relationship between the SIB and their organisation’s own missions, as well as to discuss their short, middle, and long-term hopes and expectations for the project. They were asked both in relation to the three objects of steering, but also with open ended questions to allow for them to identify unforeseen or overlooked aspects. They were asked to reflect on the project’s innovations, or continuities the SIB had with existing policy approaches. They
were asked about the project’s accomplishments and challenges, as well as their expectations and hopes for future policy developments, e.g. whether SIBs were viewed as a new paradigm, or as part of a transition to another approach. All interviews were recorded with an audio device and stored in the data archive.

The interviews were transcribed and entered into the document archive in Zotero, and analysed in the NVivo computer programme. The data provided multiple kinds of information, both about the social practices and knowledge technologies which the projects implemented, but also about the discursive framings of the projects as attempted forms of restructuring as perceived solutions to aspects of the crisis. For this reason, the data served both as a way of understanding the dynamic social processes and the related meanings they produced.

The primary data sources, media outputs, and interviews were read in their entirety, imported into Nvivo and coded in reference to the three central objects of intervention, i.e. their social, fiscal, and economic attributes. Key words for the social object of intervention included: “social problem”, “social ill”, “social crisis”, and the more specific terms of “crime”, “incarceration”, “offending”, “rehabilitation”, “prison” and “jail”, and “social impact” and “outcome”. The fiscal objects were coded with the following key words: “fiscal”, “constraint”, “resources”, “finances”, “budget”, “expenditure”, “funding”, “leverage”, “mobilise”, “incentive”, “investment” and “savings”. The economic object was analysed by identifying text passages using the search terms “bond”, “investment”, “return”, “principal”, “value”, “benefit”, “product”, “contribution”, “resource”, and “payment”. To avoid bias confirmation and to support an iterative process of discovery, these documents were also searched in terms of word frequency, and read
in their entirety, which revealed other important ideas, which expanded and enhanced the analysis and key words listed above.

3.7. Data and case analysis
This section describes the data analysis and case analysis and its contribution to contemporary research on neoliberalism and efforts to establish an ‘ethical capitalism’, advance a ‘social investment market’, and implement social impact bonds. It begins by discussing the data analysis, and moving stepwise to the broader theoretical objectives of this research project.

Similar to Fraser et al. (2016), I analyse the three data sources by ‘synthesizing’ the arguments and narratives identified in them, and reconstruct general ‘lines of argument’ in relation to the three policy objects discussed above (social, fiscal, and economic crisis). However, whereas Fraser et al. (ibid) present a rather singular, harmonious, and coherent integration of narratives in relation to the three policy objects, I investigate the variation of meanings within them which are linked to diverging visions of social restructuring. The case analysis reveals ambiguities in the data, and the presence of multiple positions pushed by different policy actors, in relation to the policy objects. Whereas Fraser et al.’s presentation of dominant narratives is based on review of the primary literature, published by think tanks, foundations, market actors and government agencies of the ‘social finance industry’ (Rosenman, 2017), my investigation of media outputs and especially through interviews with diverse policy practitioners helped identify these tensions at a deeper level. Prodding questions allowed me to inquire into diverging perspectives which were often present but marginalised in the primary literature. This allowed me to identify elements of competing ‘hegemony projects’.

The cases could be represented as an encounter between different hegemony projects, by
describing the diverging discourses about the common objects of steering. I identify multiple and often competing narratives about the social, fiscal, and economic crises and how they should be addressed in these projects, and how these relate to larger visions of political restructuring.

But SIBs are more than a variety of perspectives. They are rather a provisional unity in a particular way. The case studies describe the process of ‘complexity reduction’ and the negotiation between ‘hegemony projects’, how select elements of each incorporated, elevated, included, foregrounded, backgrounded, or excluded. I show how discursive variation is reduced by the advancement of a dominant narrative that is stabilised, elaborated, and made into practical interpretive tools for analysing social events through particular ‘knowledging technologies’, and finally, how specific goals are identified, and forms of social action implemented in the pursuit of these goals. But I also identify the ‘material substratum’ (see previous chapter) of these provisional settlements – even if these are highly asymmetrical – and highlight the material concessions junior coalition partners receive in these projects. In doing so, I also identify the policy’s uneven outcomes. Hence, I present the contradictory policy process and provisional compromises, identifying the kinds of ‘solutions’ not only as discourses but also as practices, their achievements and limitations, their uneven outcomes, and the displacement of the problems they were unable to solve.

These chapters centre on the following three specific bundles of questions:

1. How do SIBs address the social crisis? How are social crises represented by them? Which causes are identified by the policy actors, and which solutions do they advocate? Do these narratives articulate a narrow focus on individual behaviour as the source of social crises, and advance repressive methods of control as their
solutions, associated with neoliberalism (J. S. Davies, 2014), as argued for example by Silver and Clarke (2014), Rosenman (2017), and others? Or does the idea of ‘social impact’ instead advance an expanded discourse focused on social conditions, and pursue instead the amelioration of inequality through structural reforms, pointing in a progressive post-neoliberal direction? How are discourses transformed through ‘knowledging technologies’ into interpretive frameworks for analysing social events, e.g. through the concept of ‘social impact’? Which forms of collective action are perceived as sufficient in achieving the project’s stated goals, and operationalised?

2. How is the fiscal crisis addressed? Which discourses are articulated to identify its origins, and which narratives are advanced to imagine its resolution? Which ‘knowledging technologies’ are developed? How do the ideas of ‘mobilising private capital for public good’ shape perceptions of fiscal problems, and construct specific responses to them? Furthermore, which practices are assembled to achieve these goals? Do SIBs link the fiscal crisis to excessive public spending, as seen in the austerity narrative? Does this policy advance public expenditure cuts as a solution, and thereby cohere with the politics of neoliberal austerity? Or do they locate the cause of fiscal problems in the concentration of capital in the private sector, and express a turn away from the dominant position? Do they then seek to address public fiscal deficits by drawing on private capital surplus?

3. Thirdly, I investigate the cases as a response to the economic crisis. I ask how economic issues are narrated in terms of crisis origins and proposed solutions. I assess whether these reflect a continuation of market reason, or instead a re-centering of societal needs within economic practices. I interrogate how the
‘knowledging technology’ of ‘shared value’ advances certain interpretive frameworks over others. I investigate whether it marks a change of course to reduce uneven economic development by lifting living standards of marginalized populations through equitable economic practices, or if it instead articulates a post-neoliberal economy only in rhetoric which is constrained by the steadfast and one-sided assertion of capital interests at the expense of a general good.

More specifically, and in line with a hegemony approach focused on the achievement of social compromise, I ask how are these different, competing strategies (or hegemony projects) simultaneously present within the SIB projects, and what effect do they each have upon the common objects of steering? What ways do they, through these interventions, shape (or fail to shape) the discursive and material contours of the investigated policy experiments? Do these examples reveal the domination of marketization over social processes, or instead, the ‘re-embedding’ of the economy (Polanyi)? Do these cases represent a turn away from a ‘negative compromise’ of a zero-sum game, and the achievement of a ‘positive compromise’ of mutual benefit (Wright, 2012)? Or what kind of settlement do they achieve? And do these reveal a new terrain of hegemonic struggle?

Following the case study chapters, I compare the projects, and shows how SIBs may be understood not only as a specific intervention in a circumscribed local context, but rather how these represent ‘politico-strategic terrain’ of more broadly conceived hegemony projects (see chapter 7). I am interested in the provisional and unstable compromise between different ‘hegemony projects’ which each seek to advance its crisis construal and crisis management strategy, and ‘impose’ its own ‘developmental trajectory’ upon society, the state, and the economy (Hay, 1999, p. 338). But I also describe the contingent
assemblage that emerge out of these actors’ encounter in the policy process, and in describing to the best of my ability, the provisional compromises reached, their problem narratives as well as practical ‘solutions’ (and displacements), and the remaining instabilities.

3.8. Theory building: Reconstructing SIBs as hegemony struggles
As described in the introductory chapter, the aim of this research project is to contribute to contemporary research on neoliberalism since the financial crisis of 2008. I show how the ‘post-democratic’ restoration of hegemony since the crisis of 2008 is paralleled by modernisation efforts seeking an ‘ethical capitalism’, and shine the light on the ways coercion is complemented by efforts to create a new popular consensus, and address neglected problems in innovative ways. This task is achieved through concrete analysis of the ‘social investment market’ in two case studies of SIBs. This section describes the steps taken in building this theory from the concrete analysis.

First, I analyse ‘ethical capitalism’ policies not as single units, but instead illuminate its relational character between competing ‘hegemony projects’ and their ‘unstable compromise’. Whereas Clarke (2010a, p. 388) defines ‘moral capitalism’ as the “muted echo of popular scepticism and outrage about the crisis of the present”, I investigate the presence of alternatives within these market-based initiatives, but also the way such alternatives are ‘muted’. In other words, I analyse the link between market governance and ‘public responsibility’ as a dynamic tension between competing restructuring efforts, advanced by policy actors belonging to different ‘hegemony projects’. This is achieved by a critical investigation of the data.

The incorporation of alternatives into such projects represents what Gramsci calls ‘passive revolution’, as capitalism seeks to modify itself through the selective
recuperation of its opposition. But I also show how such incorporation, while fragmenting into elements a potential post-neoliberal alternative, also achieves certain advantages in the present context for counter-hegemonic forces.

The investigation reconstructs ‘ethical capitalism’ as a contingent assemblage and compromise formation between unequal partners on a terrain of ongoing crisis of neoliberal hegemony and unequal power relations. In doing this, I contribute to research on neoliberalism’s ‘strange non-death’ (Crouch, 2011) since the crisis of 2008 by complementing the dominant narrative of ‘post-democracy’ with one about neoliberalism’s modernisation attempts, and revealing its persistent troubles and limitations. In the conclusion, I describe the dissembling of these contingent arrangements in the context of the mutating crisis conjuncture.

3.9. Limitation of the study
In concluding this chapter, I finish by defining some of the boundaries of this study, which have further focused my investigation. There are two literatures which my research does not particularly build upon, but deserve mention here, in order to clarify further the focus of my investigation. The first is a political economy investigation into regulatory ‘fixes’ (Harvey 2010), and the second is an often (but not entirely) social constructivist focus on changing conceptions of ‘the social’. These are explained in turn below.

First, while I examine the social investment market as a strategy of crisis management, I do not test its ‘success’ as spatio-temporal ‘fix’. That is, I do not assess whether the social, fiscal, or economic crises have been ‘solved’ by the social investment market. I investigate instead the causal factors giving rise to the SIB in the time and place of its emergence, its ‘imagined solutions’, and the contradictory effects it has upon social, fiscal, and economic developments. I am concerned with illuminating, through qualitative
research, a thick description of these complex practices, through a small data set of two case studies. Assessments of the SIM as a regulatory fix would require a broader data set and a longer time-frame. Not only did I favour a qualitative study to richly describe the complex dynamics of these experiments, my project’s time limits restricted the possibility of the type of quantitative study that would be necessary to answer the question of a regulatory fix. This latter question however remains of much interest – and the current investigation might be a building block for such studies in the future. I hope that the results of the present investigation may be used to test theoretical generalisations at a higher scale.

In addition to the political economy literature on the regulatory ‘fix’, this research project also does not engage at length with the literature on the rationalisation, economisation, or financialisation of ‘the social’ – often, but not exclusively, in the tradition of social constructivism. There are a few specific works to be mentioned here. First, Rose’s (1996) analysis of the ‘death of the social’ investigates the shift within ‘knowledge’ from national ‘societies’ to sub-national ‘communities’ which accompanied the socio-economic transition to ‘globalisation’. It focuses on the micro-politics of risk management and governance at lower scales, and the rise of individual responsibility against the notion of collective solidarity. A similar contribution to these changes was offered by Espeland and Stevens (1998), whose analysis of societal fragmentation moves from the discursive and narrative level towards that of social practice through quantification, standardization, and the conception and assessment of ‘commensuration’. Additionally, Fine and Lapavistas’ (2004) study of the development of ‘social capital’ is discussed in this chapter, yet I do not rely heavily on their work. Similarly, Hall (2014) discusses the ‘social return on investment’ approach which quantifies ‘values’ that transcend or do not directly translate
into monetary forms, focusing on philanthropic investment in the ‘third sector’. And Beckert’s (2016) *Imagined Futures* is concerned with the expectations within market economies, focusing on the topics of risk and its calculation, as well as opportunities of profitable investment. The author focuses on how faith in future development supports current actions, thereby helping to secure the anticipated future – which for capital holding actors means profits. Most recently, Chiapello (2015) analysed the ‘spreading of financial analysis and calculation’ beyond the formal boundaries of the financial sector and into society.

Yet, while all of these texts contribute in some way or another to the investigation of capitalist development at the centre of my research, they also share a common limitation which has limited their use value for my project. This is due to my concern with the ambiguous and contested character of such developments towards the social investment market and ‘ethical capitalism’. As described in chapter two, my theoretical framework seeks to ascertain the conflux and intersection of causal factors upon social development and policy formation, for which I require a method to interrogate the negotiated praxis driving societal development, wherein competing logics and actors produce compromises in social formations. This fundamentally contrasts with other research perspectives – both in the field of political economy as well as among many ‘social constructivist’ approaches – concerned, as valuable as they are, with a more narrowly focused investigation of rationalisation, marketization, or financialisation. For these reasons, such of these contributions do play a role in my investigation, but this remains limited, as my investigation seeks to identify and accurately represent the changing forms of compromise between competing forces, logics, visions, and desired trajectories of social development. I hope to develop this argument in a future contribution, and thereby
contribute to multi-causal explanations of historical change for research in cultural political economy.
4. Chapter 4 – Historical context: Social impact bonds and neoliberalism

Following the theoretical and methodological presentations of the previous two chapters, this one historicises the research object in the context of neoliberalism. It does so by identifying SIB’s roots in two stages of neoliberalism. First, I identify the policy’s origins during the period of ‘second wave neoliberalism’, when an initial round of marketization, privatisation, and commodification during the 1970s and 80s, took on a more socially expansive form (Gill 1995; Harvey 2005), accompanied by notions of ‘social responsibility’ which grew during the late 1980s and expanded throughout the 1990s (Sum 2009a). I describe not only this historical background of SIBs but also its specific intellectual origins, by explaining the concept of the ‘Social Policy Bond’, proposed in 1988 (Schram 2014). The second part of this chapter moves away from this pre-history of SIBs towards its practical life, during the current, third phase of neoliberalism, which emerged in the aftermath of the financial meltdown of 2008 – sometimes called ‘authoritarian neoliberalism’ (see Demirović 2018). This section first describes social, fiscal, and economic developments during this time which represent significant contextual changes accounting for the ‘selection’ and implementation of SIBs during the past decade. Afterwards, I outline the SIBs’ practical emergence and expansion by describing policy developments in the U.S. and U.K.

This approach to historicisation is based on Gramsci’s conception of development, in which history is not understood as an ‘evolutionary flow’, as Stuart Hall (2015, p. 55) writes, but rather as the ‘mov[ement] from one conjuncture to another’. This presentation focuses on the interrelated set of social, political, economic, and cultural institutions which structure the historical periods, and provide the framework from which policies emerge.
4.1. The Pre-History of SIBs

This section contains two parts. First, I describe the context of ‘second wave neoliberalism’ – focusing on select social, political, and economic changes – which was significant to the first stage of SIBs’ emergence. In the second part of this section, I explain the intellectual origins of SIBs, conceived originally as ‘Social Policy Bonds’, and the problems this policy was conceived to resolve.

4.1.1. The context of ‘second wave neoliberalism’

Whereas much of the critical literature on SIBs emphasise the policy’s convergence with, and even extension of, existing market modes of governance – as the “mutation of privatisation” (Whitfield 2015), “the next neoliberal thing” (Schram 2015), or the “financialisation of urban policy” (Lake 2015) – these analyses often overlook how SIBs express, simultaneously, a modernisation agenda within neoliberalism. Both the time frame and substance of SIBs relate to a specific historical development, I argue, belonging to ‘second-wave’ neoliberalism (Steger and Roy 2010). SIBs belong to this phase – which began in the late 1980s and early 1990s – as both a further extension of markets from economy into ‘society’ (Gill 1995), but this involved too a ‘moral’ turn. ‘Roll out neoliberalism’ (Peck/Tickell 2002) was accompanied by a ‘new ethicalism’ which sought to “reconnect economic policies with (new) moral norms” (Sum 2009: 18). The emergence of SIBs is therefore not a story of neoliberalism as such, but rather of a particular modernisation attempt within market governance, involving both its rescaling and refashioning as a form of ‘responsible’ capitalism. Only by considering this particular historical development can we explain the contradictory development and emergence of SIBs in the present conjuncture.
The period of ‘second wave neoliberalism’ has been given many names: the ‘third way’, ‘post-Washington Consensus’, and ‘roll-out neoliberalism’, and is associated with the ideas and practices of ‘social capital’, corporate social responsibility, the ‘social economy’, and ‘inclusive growth’ among others.

The ‘third way’ was a central banner of dominant centre-left parties in the U.K. and U.S. in the 1990s led by Blair and Clinton following the radical market deregulation under Thatcher and Reagan. As a normative project, Giddens framed the idea of a ‘third way’ (1998) as an alternative to laissez faire economics on the one side, and as ‘renewal’ of social democracy on the other side, meant to face the challenges of the new era of globalisation. Hence, where the governments of Thatcher and Reagan radically rolled back social protections and challenged the very idea of society, Blair’s ‘New Labour’ and Clinton’s ‘New Democrats’ each sought to deal with growing material polarisation not through social protections but through social capital (Fine & Lapavitsas, 2004): they faced off economic security by engineering an active state to re-make workers to fit the economy’s changing needs. According to this idea, instead of restoring workers’ rights to welfare protections are cutback, they are neither entirely left on their own, but instead, they are to be re-skilled (see Burrows & Loader, 1994; Jayasuriya, 2006; Peck, 2001).

Jenson describes the shift on the international stage by emphasising the ‘post-Washington Consensus’. Where trickle-down theory failed to distribute the rewards of economic growth to the bottom of the socio-economic hierarchy, ideas of ‘inclusive growth’ were intended to steer the market to supporting the ‘bottom of the pyramid’. Among the institutions of UNICEF, the OECD, and the EU, a new focus on ‘social exclusion’ emerged, focused on ‘social investment’ and ‘preventative policy’ (Jenson, 2010). The emphasis on entrepreneurialism which accompanied the first phase of neoliberalism
turned into an ‘empowerment’ agenda, involving ‘micro-credit’ schemes, and neo-
corporate ‘governance’ arrangements to coordinate state, market, and civil society
organisations towards ‘common goals.’

Transnational corporations responded to criticism of the negative social and
environmental ‘externalities’ of their business practices at this time through ‘corporate
social responsibility’ initiatives (Crouch 2006). Rather than to exclude and repress
critiques and grievances, they modified the normative basis of their businesses and
established local ties that would expand their business practices and change the content
of legitimacy (Sum 2009).

Afterwards, this largely voluntary practice of firm’s self-assessment and promotion led
to more complex standards and assessments which external institutions sought to establish
as means for re-embedding market actors in forms of public accountability. The ‘social
return on investment’ was developed to quantify and assess the worth of social processes
which often easily eluded monetary valuation (Hall 2014). In these processes,
governments, which had redrawn from economy during the first phase of neoliberalism,
were being brought back into economic policy in a new way, acting as one among many
actors in a collaborative, network-style ‘governance’ framework (Bevir 2012). These
developments were not the outcome of a self-evolving system, but also the response to
internal contradictions and external social forces, which placed pressures on existing
norms and called forth new ones, as described by Graefe (2001, 2006) on the emergence
of the ‘social economy’ (see also Amin et al. 2002; and Sum 2009). One result was of this
increasing influence of business and the simultaneous normative shift towards public
accountability was the development of ‘New Public Management’ (NPM), which fused
within government administration an emphasis on efficiency with notions of public

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accountability. NPM was an important element of ‘second wave neoliberalism’ which sought to introduce the normative idea of ‘fairness’ into governance arrangements (Davies 2016, pp. 127–128). This paved the way for the idea of government commissioners only ‘paying-for-success’ in public services, an important basis, upon which Social Impact Bonds were built, with their external financial sources, as Warner (2013), as well as Nicholls and Tomkinson (2013), make clear.

Yet while ‘second wave neoliberalism’ advanced the idea of ‘social inclusion’, often through labour market participation, it did not do so equally across the population. While some sections of the population were targeted for market inclusion, other were excluded from the new arrangements. Significant repressive structures remained intact and even expanded in this period. The “roll-out” phase involved, what “new forms of institution-building and governmental intervention”, that are “no longer concerned narrowly with the mobilization and extension of markets (and market logics)” (Peck & Tickell, 2002, p. 389). Instead, they have the “political foregrounding of new modes of ‘social’ and penal policy-making, concerned specifically with the aggressive reregulation, disciplining, and containment of those marginalized or dispossessed by the neoliberalization of the 1980s” (388-389). As Wacquant (2009, 2010) argues, the focus on penal policy making meant the turn towards ‘prisonfare’, a way of dealing with increasing social insecurity through the ‘punitive punishment of the poor’.

The increasing turn to social policy “does not mean”, Peck and Tickell (2002: 389) continue, “that economic policy concerns have somehow slipped off the agenda, but rather that—as modes of neoliberal economic management have been effectively normalized—the frontier of active policymaking has shifted and the process of state-
building has been reanimated”. The new strategies do not resolve crises, but are “modes of crisis displacement” (374).

**Prisonfare**

A critical aspect of the conjuncture of ‘second wave neoliberalism’, not yet discussed, but critical for the analysis of the Social Impact Bond case studies analysed in this thesis, is the repressive mode of social control, namely carceral institutions, punitive punishment, and ‘prisonfare’ (Wacquant, 1999, 2009, 2010, 2011). In this conjuncture, social dislocations were not only responded to by the rediscovery of ‘society’, but also by a growing obsession with hardening its divide through methods of social control.

‘Roll out’ neoliberalism involved not only ‘social’ but also *penal* institutions, as repressive forms of managing social polarisation. This issue is of particular importance for this research project because both case studies intervene in criminal justice issues, address mass incarceration and high rates of reincarceration, seek to reduce recidivism, achieve prison downsizing, and articulate a ‘decarceration’ agenda. In fact, “crime prevention” is the very first goal in a list of potential policy goals, in the very first document conceptualizing the idea of ‘social policy bonds’ (SPBs) (see below), followed by employment, health, housing, education, and pollution (Horesh, 1988, p. 272). As we will see in the case studies, both the New York City and Peterborough cases problematize penal institutions – at least in a limited way – expressing desires for a turn away from the politics of ‘prisonfare’. For this reason, it is imperative to discuss the particular criminal justice-related background context, against which the Peterborough and New York City SIBs must be understood.

If the social institutions introduced in the late 1980s and 1990s represent the ‘positive’ response to increasing precarisation, polarisation, and dislocation caused by ‘first wave
neoliberalism’ and the ‘roll back’ of the Fordist settlement, these were paralleled by the
‘roll out’ of ‘negative’ institutions as well, namely penal institutions as repressive modes
of managing these problems. As Peck and Tickell (2002, p. 389) write:

“No longer concerned narrowly with the mobilization and extension of markets
(and market logics), neoliberalism is increasingly associated with the political
foregrounding of new modes of “social” and penal policy making, concerned
specifically with the aggressive reregulation, disciplining, and containment of
those marginalized or dispossessed by the neoliberalization of the 1980s.”

As Wacquant (1999, p. 323) explains, market deregulation was combined with repressive
social reregulation “to mask and contain the deleterious social consequences (…) of the
deregulation of wage labour and the deterioration of social protection.” He shows that the
growth of penal institutions is not a reaction to “criminal insecurity” but “a response to
rising social insecurity” (2010, p. 197). The U.S. showed a “decline or stagnation for 20
years after the mid-1970s before falling precipitously in the 1990s”, according to official
statistics (Wacquant, 2010, p. 208). This means that the United States “became four to
five times more punitive in a quarter-century holding crime constant” (2010, p. 199).

In international comparison, the U.S. prison population has grown much faster than the
OECD average. The average incarceration rate of 100 persons per 100,000, recorded since
1925 began in the early 1970s to rapidly grow, reaching a near seven-fold increase at the
beginning of the new century with a nearly 6% growth rate throughout the 1990s (Prison
Policy Initiative, n.d.). The incarcerated population was predominantly male,
disproportionately black and latino, and higher in the southern states (Prison Policy
Initiative, 2016). The incarcerated population peaked around 2008 with nearly 2.7 million
people in local, state, and federal prisons (ibid). The U.K. also saw a rise in the
incarceration rate in this period, though not comparable to the U.S. which is an OECD outlier. In 1993, the U.K. prison population began a steady annual rise from to 2.5% to 3.4%. The increase is due to ‘tough on crime’ policies, with the Ministry of Justice writing that “almost all of this increase can be accounted for by the rise in the number of prisoners sentenced to immediate custody”, including people detained for committing civil, or non-criminal offenses, and immigration violations (Ministry of Justice, 2016). As in the U.S., the overwhelming majority of persons in detention are male.

There are variety of methods used, by police, courts, and prisons, to expand carceral institutions, including ‘zero tolerance policing,’ ‘mandatory minimum sentencing’, youth curfews and juvenile ‘boot camps’, speedy stricter sentences for misdemeanours and street crimes, “accelerated criminal processing for low-level delinquents”, etc. (Wacquant, 2010, p. 211).

The institutional developments described here involved clear discursive shifts, and the construction of a ‘new penal common sense’. The “criminaliz[ation] of poverty” (Wacquant, 1999, p. 321), achieved by the repressive penal institutions, in response to increasing social insecurities arising from socio-economic changes and the roll back of Fordist social protections, rested also on the “cultural trope of personal responsibility” (Wacquant, 2010, p. 213). This involves the breaking apart, or bracketing out, of social interdependencies, when considering social positions of marginality and exclusion. This “philosophy of moral behaviourism” (Wacquant, 2010, p. 198) involves a practice of “deterrence, surveillance, stigma, and graduated sanctions to modify conduct” (Wacquant, 2010, p. 199). And finally, ‘prisonfare’ has, as already implied, a class but also a racial element. In the U.S., it has mostly targeted blacks and latinos, while in the U.K., it targets immigrants and lower-class persons (Wacquant, 2010, p. 206).
This ‘penal common sense’ first developed in New York City and was later exported to London and other European capitals, with incarceration growth in the U.S. mirrored in the U.K. and other European countries, with the exception of those countries which did not follow the same path of radical market deregulation and welfare retrenchment, and thereby produced less social insecurity that those states which more strongly broke up the post-war Fordist settlements (Wacquant, 1999).

4.1.2. The concept of ‘Social Policy Bonds’

It was during this period of ‘second wave neoliberalism’ that, in July 1988, the New Zealand economist Ronnie Horesh formulated his concept of a ‘Social Policy Bond’ (SPB), as a way to ‘harness self-interest to make the achievement of social objectives more efficient’. His original formulation shares strong family resemblances with the ‘third way’ politics of the time, seeking to chart a course between neoclassical and laissez faire economics on the one side, and social democracy on the other, by linking market governance with notions of ‘public responsibility’. The section describes the SPB on two levels: First, I describe the “mechanism” or “policy instrument” (Horesh, 1988, p. 268), and second, briefly reconstruct the SPB discourse as a ‘third way’ project to change the relations between the state, economy, and society.

Narrowly focused, SPBs were developed as a “policy instrument” to link profitable private investment with social policy objectives, utilizing self-interest for both fiscal and social returns. In Horesh’s conception, the state would issue a SPB, for example, aimed at the reduction of crime or unemployment, which would be redeemable only if and when such objectives are met. “Assume”, therefore “that a fixed number of bonds is issued, redeemable for $10 only when unemployment is down to, say, 20,000” (1988, p. 269). These bonds would be purchased by investors, based on their appraisal of its risks and
rewards, that is, the likelihood that unemployment would be reduced to a specified level and within a specific time frame.

Yet, the term ‘bond’ is a misnomer. Unlike traditional bonds, which are “redeemable for a fixed sum, at a fixed date and yield a fixed rate of interest” (Horesh 1988, p. 269), the ‘SPBs’ would only be redeemable if and when these targets are met. They “are redeemable only when the government objective in question has been achieved” (ibid), making the ‘bonds’ performance-based. The aim is to incentivize specified social outcomes, linking rewards to ‘impact’. Bondholders would only see a return on their investment if specified targets are met, whether these be reductions in crime, unemployment, or homelessness, or improvements in housing, healthcare, or education (Horesh 1988, p. 266). (Even industrial and environmental policy could be addressed, or that of international conflict resolution, argues Horesh. 9).

If the intervention successfully satisfies the specified objective, investors would receive a profitable return on their principal, paid by the government. Such pay-out is not intended to increase expenditure, but rather reduce it. This is because ‘outcome payments’ are supposed to be paid from anticipated government savings accrued through expenditure reductions resulting from lower levels of unemployment, crime, or other welfare issues.

The setting of goals and impact assessments are not given but rather to be negotiated between private actors and public authorities holding different and sometimes competing perspectives. “[T]here would be difficulties in the specification of the objective to be

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8 The question of risk becomes a major topic in the current discussions of Social Impact Bonds. Warner writes, “private investors in SIBs (to date) have required substantial loan guarantees or subordinated debt” (2013, p. 308). These have been advanced by philanthropies – by Bloomberg Philanthropies in the New York City case – and by the government itself – by the Big Lottery Fund in the Peterborough Prison Project in the U.K.

9 The ‘bonds’ could raise industrial production, “export earnings”, reduce “atmospheric pollution”, end “war, famine and disease” (Horesh 1988, pp. 275-277).
attained”, Horesh (1988, p. 272) writes. And there would be “varying interpretations”, and possibly “deliberate attempts to falsify the information required to monitor achievement of the objective in question” (ibid). This is especially the case because different forces and interests are at stake. Such challenges could be dealt with the following ways.

First, the parties would have to agree on a “definition” of the objective at stake (Horesh, p. 272). Regarding unemployment, “[i]t would be unsatisfactory to redeem the bonds when unemployment was down to a certain level for a short time only. The objective is a sustained level of low unemployment and this is how it would have to be defined when the bond is issued” (Horesh, p. 273. emphasis in original). Secondly, the objective must be quantifiable (ibid) so that performance may be judged, government savings can be assessed, and profit may be shared. And thirdly, monitoring must be made possible, and done so in a way that balances the interests of the parties involved (ibid). As seen in the current SIB experiments, these processes require elaborate institutional development, not discussed in Horesh’s early formulation.

This simple description begins to show that these ‘bonds’ are not simply a new commodity among others, but introduce new market dynamics into government, require institutional changes, and call for the reshaping of relations between state, private interests, and civil society. The bonds’ performance-based value does not place them in the same category as bets, such as is the case with products in futures markets. Rather, there is here a clear intention of influencing outcomes, and empowering self-interested, market actors within the field of provisioning with this goal. But in order to operate, they require new institutional arrangements.
With SPBs, not only do bondholders have a material interest in the performance of a specific social policy outcome, they are given the opportunity to affect this outcome by intervening in the provisioning. Horesh seeks to leverage market motivations for the transformation of provisioning. Bondholders should seek to maximize their financial returns by optimizing the performance of their Bond’s specific policy intervention. As Horesh (1988, p. 269) states, “the holders of the bonds now have a strong interest in seeing the value of their bonds increase as quickly as possible”. This argument is in the SIB literature two decades later referred to as ‘aligned interests’.

This would spur a market of competing service providers, and bondholders would want to introduce unemployment reducing measures of their own, beyond the scope of government programmes. In Horesh’s words, “active investors would then finance initiatives that would help achieve the objective” (1988, p. 270). In the given example, these might include a variety of “labour recruitment drives” such as efforts to “match vacancies with those currently unemployed” (ibid).

As Horesh (1988, p. 280) makes clear, this initiative involves the “surrendering of policy instruments to the private sphere”, the “contract[ing] out [of provisioning] to the private sector” (269), and the roll-back of the public sector (2000: 42). But this privatisation of service provisioning is not supposed to undermine the state’s role in setting the goals of social policy (Horesh 1988, p. 269). In other words, the public sphere is supposed to set the ends, while the private sphere is to conduct the means. Horesh (ibid) writes: “In essence the achievement - but not the setting - of social objectives is contracted out to the private sector via a free market in a new sort of financial instrument: government-issued social policy bonds (SPBs)”. 
This approach was differentiated from other forms of outsourcing, which Horesh admits, often enriched the private provisioning firms without improving service provision. “Neither is privatisation the answer: private agencies have private objectives and there is no intrinsic reason why these should coincide with social objectives. Privatisation, and the need to give shareholders a decent return on capital, all too often lead to the provision of services only to those most able to afford them” (Horesh 1988, p. 268, emphasis added). The result has been the concentration of wealth into fewer hands. Horesh writes: “Deregulation and the freer operation of self-interest in parts of the private sector have made a lot of people very wealthy indeed. But the less well-off have gained little and market forces are often cited to justify measures that hurt the poor” (ibid).

The SPB does not (necessarily) involve the sale of a public company to a private enterprise. Or at least, SPBs are designed to link private, profit-maximization to the satisfaction of publicly-set goals. SPBs therefore would involve a specific role for the state. What the “bonds” require is a form of targeted, coordinated, and monitored intervention. Horesh believes that the monetary incentives of this performance-based pay-off scheme, introduces a new dynamic by which bondholders will take particular interest in the operation of public provisioning, which according to him currently lacks “tangible inducement to perform better”. Investors “will be highly motivated to become active rather than see their returns from bondholding suffer as the targeted objective becomes an ever more remote possibility” (Horesh 1988, pp. 270-271).

When ‘bondholders’ have a share in the performance, and receive returns on efficient and effective outcomes, they are materially interested and “invested” in it. They are therefore

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10 This is presented as improving public services which lack performance incentives (Horesh 1988, p. 268).
especially inclined to favour certain kinds of provisioning. They are no longer external to it, but rather, they have a self-interest in its performance because it determines the growth or reduction of their capitals. Horesh therefore takes issue with a “hands off”, laissez-faire, or “indirect” approach. He wants to insert market discipline into the provisioning of public goods, unleashing a new dynamic to reshape the relationship between the state, private forces, and civil society. This is why in Horesh’s later writings on the subject, he refers to the SPB ‘regime’ (Horesh 2000, pp. 40-41). It is much more than a new financial product, or performance-based equity.

According to Horesh’s vision, the new ‘bonds’ should consciously construct ways for investors to improve their “products”, i.e., they should be able to enhance the performance of a distinct social provisioning project. This is what the strategic use of market discipline within the sphere of public services means.

Yet, an important difference between this early conception from today's Social Impact Bonds and Pay for Success projects, is the role Horesh attributes to the bondholders and the market. According to his idea, bondholders would themselves directly seek out the service providers, and finance their services directly. This contrasts strongly to the actual SIB and PfS projects today, which are formed as cross-sector coordination, rely heavily on “intermediaries” for the selection of service providers from established civil society organisations, and the elaboration of monitoring organisations. Horesh expects bondholders to take it upon themselves to select and also “finance initiatives that would help achieve the objective” (Horesh 1988, p. 270).

Thus, while this early conception did anticipate (and encourage) the underlying dynamic of this new “regime”, it had not anticipated the institutional arrangements that would become necessary for its implementation. This had not yet elaborated the new terms,
practices, and relationships between private 'bondholders’, service providers, and government agencies that have become a key component of SIBs and PfS programs today.

Yet although the role of civil society organisations had not been anticipated in the moment of Horesh’s conception of SPBs, it is also the case that ‘civil society’ had not at that time, attained the normative status it holds today. That is, in some sense, the dynamics Horesh anticipated could not be unleashed until the institutional components had emerged. The civil society organisations so crucial to the cross-sector coordination in today's projects, had, in the late 1980s, that is, at the time of conception, not yet become institutionalised. Hence, it was not simply a subjective blindspot on his part, but a matter of historical development of social relations that had not yet developed. The development of an institutionalized ‘third sector’ in the 1990s and 2000s may have provided the right conditions for SPBs to be selected and institutionalized in practices.

Hence, the ‘bonds’ were conceived as something more than a new commodity, in fact, they were supposed to bring about a new ‘regime’ (Horesh, 2000). By unleashing a new market dynamic, they seek to encode new relationships, and with their institutionalisation in today's experiments, they actively (re)shape the operations of public provisioning, and the relations between politics, economy, and society. They also affect established meanings, for example, regarding the content of rights, entitlements, and citizenship.

The broader political trajectory of SPBs also requires attention. These were made explicit by Horesh. It was a third way political project, diverging in limited ways from specific aspects of neoliberal programs. Horesh objected to trickle-down economics on the grounds that, while it may produce enormous material wealth, it does so in a vastly uneven manner. The result is “poverty amidst plenty” (Horesh 1988, p. 267).
Yet the objection to trickle-down theory did not lead Horesh to support the welfare state. He criticised the ‘ineffectiveness’ of ‘indirect’ mechanisms, which only ‘retroactively’ (re)distribute capital surpluses. According to him, “[g]overnment encourages economic growth in the hope that benefits will outweigh the costs and then tries, via the tax and welfare system, to effect some redistribution” (Horesh 1988, p. 266). But, this strategy has however not helped reduce unemployment, nor improve “housing, education, health services” (ibid). This is because there is no institutional design to allow monetary incentives to drive improvements in social provisioning.

Horesh's proposal is explicitly inspired by Adam Smith's theory that self-interest is the “most effective catalyst for the generation of wealth” (Horesh 1988, p. 267). However, the uneven distribution of this wealth led Horesh to propose a mechanism to “channel self-interest into solving social problems, not just individual ones” (ibid). Therefore, in the conjuncture of a collapsing Cold War era, where the stand-off between western “free-market” capitalism and “actually existing socialism” was unravelling, Horesh's proposal objected to both trickle-down theory or “self-regulating market” on the one hand, and to socialist or social democratic forms of social welfare states and redistributive policies to address class polarization on the other.

Although Horesh’s programme coheres with the “social economy” trajectory of the 1990s, it was not selected by policy makers at the time. It was not until the economic crisis of 2007/08 that the social conditions ripened and the social forces necessary for its emergence had come into leadership roles in government. As I describe in the next section, it was the crisis of second wave neoliberalism in 2008 which triggered SIBs as an increasingly popular policy approach, and the introduction of austerity in 2010 which accelerated its diffusion.
4.2. The Practical History of SIBs

4.2.1. The context of neoliberal crisis

Although SIBs have their intellectual roots in the late 1980s, it was not until the financial meltdown of 2008 that they were selected as policy approach and practically implemented. This section describes first important changes to the context, focusing on the social, fiscal, and economic aspects of the post-2007/08 crisis conjuncture, and then describes SIBs concrete development and implementation in the U.K. and US. This presentation completes the three stage evolutionary process conceived by CPE (see chapter 2): Having described the stage of semiotic variation in the first section of this chapter, that is, of a particular policy idea, I now focus on the two final stages, namely its selection as policy approach and its retention in policy practice through practical implementation.

Conceived as a manifold crisis (Brie, 2009; Calhoun, 2011; Demirović, Dück, Becker, & Bader, 2011; Gill, 2012a; Wallerstein, 2011), this section gives special attention three main aspects of the crisis of neoliberal hegemony that are central to today’s historical emergence of SIBs in the two leading ‘liberal market economies’ (P. A. Hall & Soskice, 2001) of the U.K. and U.S. I focus first on the intensifying crisis of social reproduction, which although present before 2008, was intensified by the financial meltdown, the resulting economic slump, and the retrenchment of welfare. This contextual change was an important reason for the resonance of the idea of ‘social impact’ since 2007/08, and SIBs, conceived as a way of ‘solving deep-seated social problems’. Their third way character stepped away from laissez faire and repressive attitudes of social control, yet advanced also an alternative to ‘big government’, through the idea of ‘big society’ (Dowling & Harvie, 2014; Lee, McNulty, & Shaffer, 2012; Wiggan, 2018). The
second contextual change was the fiscal crisis, caused by the public’s recapitalisation of the financial sector (and selected automobile manufacturers) after the industry’s implosion, and the falloff in tax revenue resulting from the economic slump (Blyth, 2013). A climate of fiscal constraint and welfare cuts collided with growing social needs. The idea of ‘mobilising private capital for public good’, a central slogan of SIBs, presented a third way to both welfare retrenchment and anti-austerity pushback (M. E. Warner & Clifton, 2013). It proposed ‘impact investment’ as a way to address these pressures, filling funding gaps, without increasing taxation. The third contextual feature critical to this investigation is the economic crisis, that is, slow and uneven growth following the financial implosion of 2007/08. In this context, SIBs are promoted as a ‘third way’ by ‘producing shared value’. This is imagined as an alternative to trickle-down theory on the one hand, because it is said to focus on producing direct benefits, or ‘inclusive prosperity’. But it is also an alternative to redistribution approaches. It proposes supporting economic expansion while addressing internally, its uneven distribution, through a new investment product. These three contextual issues are discussed in detail below.

**Social context: Deepening crises of social reproduction**

In both the U.S. and U.K., the financial implosion of 2007/08 meant a deepening social crisis, with the loss of homes, employment, health coverage, the depletion of personal savings and pensions. In discussing the ‘social crisis’, I refer to Bakker and Gill’s (2003, pp. 17–18) definition of ‘social reproduction’ as the “biological reproduction of the species” but the reproduction of its supports and web of social relations that make such reproduction possible. For the vast majority of the population, this includes the ability to reproduce oneself as labour power (ibid). Crises of social reproduction have increased for individuals in both the U.S. and U.K. since the financial meltdown of 2008.
As McBride shows, unemployment rates rose significantly in both countries since the financial crisis, from 4.6 to 8.1% in the U.S. and from 5.3 to 7.9% in the U.K. between 2007 and 2012, with youth and especially long-term unemployment rising much faster (2015, p. 71). Nor do these statistics convey the kind of employment or income levels, where job loss was higher in the middle-income group, and job growth higher in the bottom group, leaving many employed persons with less disposable income and increasing levels of debt (J. Brenner, 2010, p. 74; McBride, 2015, p. 74). Between 2007 and 2008 alone, more than 2.5 million people fell below the official poverty level in the U.S. (Béland & Waddan, 2011, p. 233). Unemployment effected living space as well with increasing numbers of young and old employed sharing residence in multi-generational households (J. Brenner, 2010, p. 75), while many millions of people lost their homes to foreclosure. In fact, in 2008 a quarter of homeowners owed more on their properties than these were worth (ibid).

Not only was the crisis experienced differently depending upon one’s position in the socio-economic class hierarchy, growing inequality was felt differently between ethnic groups. In 2010, latino unemployment rates were 50% higher than those for whites, while black unemployment were twice as high (2011, p. 234). Gender was also an important factor in the experience of social crisis. Between 2007 and 2009, unemployment for single-mother households rose more than 50%, from 8 to 13.6 percent (J. Brenner, 2010, p. 74).

Despite official unemployment status, less than half of U.S. workers collected even limited unemployment aid in 2009, with many people on growing contingent contracts disqualified from benefits (Béland & Waddan, 2011, p. 235). Food stamps recipients
climbed to a near record high at the end of 2008, with nearly 30 million people collecting benefits, and jumping to 37 million the year afterward (2011, p. 236).

Job loss also deepened a public health problem with increasing levels of physical and psychological health, drug abuse, and suicides. Especially in the U.S., where job loss meant that 6 million people lost their employment-based health insurance (Stuckler & Basu, 2013, p. 99), premature and avoidable deaths were on the rise, at least until healthcare reform was introduced in 2010 (ibid).

With the intensification of the social crisis after 2008, a significant number of people struggling to reproduce themselves ended up incarcerated, with U.S. and U.K. prison populations remaining high. The U.S. incarceration rate remains the world’s highest, and is five times the OECD average, holding 690 persons per 100,000 in prison. Though the U.K. does not compare with the U.S. outlier, it too remains above the OECD average (Walmsley, 2016).

Against this background, both the U.K and U.S. governments advanced the idea of the ‘social investment market’ as a response to deepening social crises. Partially because of the depth of its austerity measures, the U.K. played a leading role in these initiatives with its idea of ‘public sector reform’ and the ‘big society’ (Peter Alcock, 2014; Dowling & Harvie, 2014; Wiggan, 2018). But in both countries we see not only the (further) shift of services from government providers to the voluntary, non-profit, and ‘third’ sector, but also the continued transformation of their goals. Rather than providing social protection from the insecurities of the market, ‘interventions’ would be increasingly focused on the production of ‘human capital’ to achieve labour market absorption.
This could also be seen in the increasingly agent-centred focus on personal ‘resilience’ that downplayed social conditions of personal crisis (Dagdeviren, Donoghue, & Promberger, 2016), and the attempt to make personal coping strategies ore effective as a way to “reduce the need for council services” (Joseph Rowntree Foundation, 2013, p. 20). People would be ‘re-abled’ to cope with the social crisis, and made ‘independent’ of welfare support, through the expansion of ‘preventative’ measures, with the aim of keeping them out of remedial institutions (Joseph Rowntree Foundation, 2013, p. 20), as we see in our two case studies.

The decarceration focus in the case studies reflects changing criminal justice policy narratives, as Roberts and Silvestri (2010) explain, with the language of a “rehabilitation revolution” (Ministry of Justice, 2010b, p. 1) linked to interventions “to encourage employment” (Ministry of Justice, 2010b, p. 2). As I argue below then, the Peterborough SIB’s decarceration goal, and its effort, in a limited way, to roll-back punitive ‘prisonfare’ policies proceeds through the roll-out or extension of disciplinary ‘workfare’ policies (Peck, 2001; Peck & Theodore, 2010; Wacquant, 2010), which “involves the imposition of a range of compulsory programs and mandatory requirements for welfare recipients with a view to enforcing work and residualizing welfare” (Peck, 2001, p. 10). 11

The shift in policy goals, at institutional levels traversing the local and national scales, and across policy areas from criminal justice to welfare, was accompanied by the geographical shift in the activities and responsibilities for service provision from state to

11 Peck (2001), Jessop (Jessop, 2002b), and others have analysed the transformation of welfare from a Fordist-Keynesian settlement of universal, rights-based social protections supporting individuals against the vagaries of the market, to ‘workfare’, which aims to shrink the welfare rolls through work-inducing conditionalities and the reduction of supports to a bare minimum. The Welfare Reform Act of 2012 has further weakened supports with the “Bedroom Tax”, work activation measures, and disability claimant restrictions.
civil society, in line with the attempt to construct a “Big Society” (Peter Alcock, 2014). SIBs advance this goal as well, as they “are designed”, according to the Cabinet Office, “to help reform public service delivery” (Cabinet Office, 2013a), involving the “opening of public services”, to “public, voluntary and private sector” providers of probationary services (Rand Europe, 2014, p. 14), and organised with business management techniques already deeply established by New Public Management practices to rationalise the social sector by putting them in service of the goal to “reduce need” of welfare and remedial services by “re-ablisation” of persons, to become independent through labour market inclusion.

Fiscal context: Public debt crisis and austerity politics

The second important contextual shift since 2008 which is important for the emergence of SIBs is the fiscal crisis, namely the perception that the state’s deficits were too excessive in relation to GDP growth. Public debt rose enormously after the financial meltdown, with gross public debt jumping over 62 points in the U.K. and 43 points in the U.S., compared to an OECD average of 38 (McBride, 2015, p. 74). Three factors contributed to these changes. The main factor was, as Blyth (2013, pp. 48, 52) and Alcock (2014, p. 255) explain, the public’s re-capitalisation of the financial sector and some of the major automobile companies, as a way to prevent major bankruptcies and to contain a broader contagion of the ‘real’ economy. Second, automatic stabilizers raised expenditures in the form of unemployment aid, food stamps, and other social supports. Third, tax revenues shrunk as economic activities slowed down.

Although a variety of political responses were possible, both countries turned to fiscal austerity in 2009/10, following a brief period of neo-Keynesian stimulus policies. Governments sought to reduce public deficits through public sector expenditure cuts,
especially welfare but also to local government. The U.S. ‘debt ceiling’ debate limited welfare spending and applied pressure to state and local governments to comply with reduced budgetary targets in a form of ‘austerity urbanism’ (Peck, 2012a, 2014b). The U.K. government announced an ‘age of austerity’ in 2009 (The Guardian, 2009b), and sought a 25% reduction in welfare budgets beginning in 2010, a 10-15% reductions to local government budgets (O’Hara, 2015, p. 177), and similarly high level of cuts to departments (Pete Alcock, 2012), including for our purposes, the Ministry of Justice. ‘Fiscal constraint’ led to efforts to reduce both the quantity of overall welfare claimants as well as the qualitative ‘value of benefits’ (Farnsworth, 2011, p. 265). Following such pressures, government was drastically limited in its ability to respond to increased need and maintain or expand social protections.

The contradiction between austerity-induced cuts to welfare at a time of increasing social need provided the grounds for ‘social investment market’ and SIBs which promised to ‘leverage private capital’ in a way that would protect the public from fiscal risk. In fact, a ‘social investment paradigm’ had already been developed in both countries with the ‘third way’ turn during the 1990s, with the idea of investment in ‘productive’ rather than ‘ameliorative’ or ‘consumptive’ social policy, but this direct state financing model had been stalled by the ‘general squeeze on resources’ in the context of fiscal crisis (Diamond & Liddle, 2012, p. 287). Facing public fiscal deficits, the state now turned to private investors holding capital surpluses. The ground was set for the re-emphasis and remaking of public-private partnerships in addressing social crises that avoided tax-raising revenue generation, and relied instead on incentivising private investment.

In the U.S., President Obama proposed funding ‘pay-for-success’ schemes in the annual federal budgets of 2011 and 2012 and afterwards, and for specific departments such as
the Department of Labor (Azemati et al., 2013, pp. 24–25). Similarly, the Ministry of Justice, sought to expand ‘pay for success’ schemes (Ministry of Justice, 2010b) while central government aimed to increase the social sector’s access to capital markets by “growing the social investment market” in the U.K. (Cabinet Office, 2013b, 2014; Cabinet Office, Hurd, & Maude, 2011).

**Economic context: crisis of accumulation and uneven growth**

The third shift in the historical conjuncture and political context which allowed for the sudden emergence and rapid spread of SIBs since 2008 was the economic crisis. There are two aspects to consider here. As Harvey (2010, p. 45) explains, the financial meltdown in 2008 expressed a crisis of capital over-accumulation, in which there was an “excess of capital relative to the capacity to use that capital profitably”. The wave of house foreclosures in the U.S., and thereby, the breakdown in payments to the securities market, meant a massive halt in payments to global investors. This disruption of the circulation of capital ricocheted on the international financial markets, destroying values and bringing economic growth to a standstill. Following the crash of the U.S. housing market and the related derivatives, the IMF maintained that the world was ‘awash with liquidity’ (Harvey, 2010, p. 28), in the search of investment opportunities. Surplus capital can be then seen as one push factor behind the growth of the ‘social investment market’ since 2008 which is analysed in the case studies.

But there is a critical, second dimension to the changed economic context, implied in the over-accumulation crisis, namely the deep polarisation of the economy. As Bryan and Rafferty (2010) explain, the breakdown in the circulation of capital was due on the one side, to the inability of increasing numbers of U.S. households to maintain their mortgage debt levels in the face of stagnant or falling real incomes. On the other side, mortgages
were being pushed onto ever larger groups of financially precarious people, because of the supply of surplus capital and the search for yield. The foreclosure crisis which triggered the financial market crisis then, was due to deeply uneven economic development (Bryan & Rafferty, 2010). This uneven growth contributed to the implosion of the U.S housing market, and destroying values of global investors in securities.

For these reasons, the case studies analyse the significance of slow and uneven growth as a push factor for the development of SIBs. Not only does the idea of ‘producing shared value’ express an ethical idea of just distribution, and hence, seek to address legitimacy gaps, the cases are also analysed as an effort to address the economy’s reproduction problems and as a way to place it on new footing.

For these reasons, we should consider the economic push factors in the development of SIBs after 2008, namely as an opportunity for individual and institutional investors, as well as for states seeking to develop the opportunities for ‘inclusive’, economic growth. This is the economic background underlying the U.K. government’s support and development of the ‘impact investment market’ (Cabinet Office et al., 2011). The Peterborough SIB, and subsequent projects, may be understood as part of the UK government’s economic growth strategy, and the financial industry’s search for yield. Such investments have multiple economic motivations, as described above, for which one advantage is the promise of achieving “blended returns” of financial benefits to investors and social improvements for society. The Peterborough SIB can be contextualized within these economic dynamics and as part of a move towards ‘ethical capitalism’.

This shift marks a change from earlier forms of philanthropy and Corporate Social Responsibility, based on a zero-sum notion in which a portion of surplus capital would
be subsequently distributed to a specific cause following its accumulation through business practices. Dowling and Harvie explain that SIBs instead make “social impact” a source of profitability, writing “the social or environmental impact is decidedly internal to the ways in which business seeks to create and capture value” (2014, p. 13). The intellectual leaders of the self-described movement of “philanthrocapitalism”, Bishop and Green (Bishop & Green, 2009), coined the motto “doing well by doing good” to articulate these intentions. According the Global Impact Investing Network (2017), the ‘impact investment market’ was nearly $114 billion in 2017.

The following section discusses the organisational developments in the emergence of SIBs

4.2.2. The roll out of SIB policies since 2008

Though originally conceived more than two decades before (Horesh 1988), SIBs were only first implemented after the outbreak of the crisis of 2007/08. In 2009, the U.K. government took the lead and was quickly followed by the U.S. with its own “pay for success” model in 2010, before the idea spread to Canada, Australia, Germany, Israel, and elsewhere (Joy & Shields, 2013; McHugh et al., 2013; Warner, 2013), and was then adapted for the global South in the form of ‘development impact bonds’ (Center for Global Development and Social Finance 2013). Today more than 100 SIBs’ exist throughout the world, though they are mostly concentrated in the global North and especially in the liberal market economies of the U.K. and U.S.

The U.K. government initiated the search process for what would become the Social Impact Bond in 2007 (Nicholls and Tomkinson 2013). At that time they formed the Council on Social Action, which became a centre for cross-sector collaboration between
government, civil society, philanthropies, and private capital holders, aimed the development of “social technology; social leadership; collaborative commitments; and new models for financing social action” (Cabinet Office 2009). A central participant in this forum was the non-for-profit organisation, Social Finance, founded in 2008, whose aim was to construct the “financial products [which] forge essential links between the market, government and society for the greater good” (Social Finance 2014).

The “basis for the SIB structure” adopted in the U.K. was inspired by the “Contingent Revenue Bond”, developed for financing sanitation projects in the global South, which was developed by the “former investment banker turned social investment specialist” Arthur Wood (Nicholls and Tomkinson 2013, p. 10). Social Finance was approached by the Council on Social Action to develop a new financing mechanism, which took the structure of the Contingent Revenue Bond, and developed the SIB (ibid).

At this time, New Philanthropy Capital worked with Social Finance to “consider whether financial structures could be developed to fund early intervention work”, and support from the UK Treasury was secured (Nicholls and Tomkinson 2013, p. 10). The Young Foundation put SF in touch with policy makers and other “outcome-based commissioning” projects and ideas, leading them to take up preventative services in the field of criminal justice (ibid). In late 2008, they were working with the Ministry of Justice and the Treasury.

Though incorporating central aspects of Horesh’s conception, these developments resulted not from state and private parties alone, but from the active work of the non-governmental organisation Social Finance. And the SIB only emerged after this organisation worked closely with civil society service providers: “Social Finance engaged with a wide range of key groups including: prison staff; local stakeholders; voluntary
organisations working in the field; other criminal justice experts; and potential investors (such as trusts and foundations)” (Nicholls and Tomkinson 2013, p. 11).

These developments gained state support from different sections of government in 2009. The ministry of justice advocated innovations in preventative services, while the ruling government sought “a new way of funding the third sector to provide services” (HM Government cited in Nicholls and Tomkinson 2013, p. 11). In early 2010, the Ministry of Justice announced the launching of the Peterborough Prison Project.

The SIB received popular attention, moving from the Labour government to Conservative party, in their “Big Society” platform, and called to life another important institution, a “social investment bank”, Big Society Capital (Nicholls and Tomkinson 2013, p. 11), which secured capital for investment. In August 2010, the government's Big Lottery Fund, which provides funding to a variety of social provisioning initiatives, signalled its support for SIBs with a £5 million donation to Social Finance for development purposes (ibid). And importantly, they offered, in conjunction with the Ministry of Justice, to “co-fund the outcomes payments for the Peterborough pilot SIB” (ibid). This was a crucial and often overlooked aspect of SIBs, because they provide risk mitigation for investors, and hence complicates the idea propagated by SIB proponents that the new policy instruments shift financial risk from public to private hands.

In contrast to Horesh's concept, SIBs were pushed by a cross-sector collaboration of distinct state, private, and non-governmental forces rather than investors alone. NGOs became the ‘intermediary’ negotiating between the state, private investors, and service organisations.

While the U.K. remains the global leader of the ‘social investment market’, the U.S has been playing catch with its own SIBs and “pay for success” programs, which have taken
off since the outbreak of the economic crisis. On both the federal and state level, these initiatives are spreading. The new wave began in 2009 with the White House Office of Social Innovation and Civic Participation for cross-sector social policy programme development (Tyson and Greenblatt 2014). It established the Social Innovation Fund, and in 2010, a $1 billion fund for “impact investing' venture funds” (ibid). In January 2012, SIBs became a federal policy agenda of the U.S. government, with the issuing of $100 million for “pay for success” programs, directed at seven departments addressing social policy in “workforce development, education, juvenile justice and care of children with disabilities” (Office of Management and Budget 2012). These are directed to five departments: “the Department of Education, the Social Security Administration, the Department of Justice, the Department of Labor and the Corporation for National and Community Service” (ibid). As of 2014, fourteen state governments were working on SIB development in 2014, and the U.S. Treasury has allocated $300 million for such programmes (Lower-Basch 2014). Individual states invested $50 million as of March 2014, and the federal government proposed $80 million in its 2015 budget (ibid). Additionally, the Treasury Department dedicated $300 million for a Pay for Success Incentive Fund. The aim is that, the Fund “would mobilize private capital to finance and expand effective social programs, with significant benefits for vulnerable populations, risk-taking investors and the general public” (ibid).

These developments have been supported internationally as well. The OECD has argued for a recovery strategy “towards a different capitalism, an ethical one”, that is aimed at “sustainable” and “inclusive growth”, and which is led by social enterprises and “social venture capitalists” (OECD 2010). States could play a crucial role in the expansion of this “social economy” through the construction of an “enabling environment” including a
“legal framework and fiscal policies” (ibid). According to the statement of the institution's Secretary General, the leading innovation of this trajectory is the “Social Impact Bond”, which provided an innovative “institutional framework” for this agenda. The OECD commits itself to the advancement of this agenda, and in cooperation with the G20, to encourage this project amongst other leading international organisations, to “support the social economy, social enterprises, and civil society more generally to help address the social impact of the crisis” (ibid).

The G8 established the “Social Impact Investment Forum” to scale-up to the global level (Cabinet Office 2013b). This strategy involves the “use of finance to tackle entrenched social issues” (ibid). Hence, the construction of the legal infrastructure would be complemented by the development of a “global market for social impact investment”, organised by a collaboration between state actors, business leaders, philanthropists, social entrepreneurs, and scholars (ibid). The project requires new forms of cross-sector and cross-national collaboration, supported by a Social Impact Investment Taskforce and “working group of development finance institutions”, the construction of “common frameworks” supported by the OECD, and prescriptions for policy makers and market actors (ibid).

Social investment strategies have also received support from the European Union, especially with the focus on developing state structures opening the field for “payment by results” social investment projects and the support for social enterprises (O’ Sullivan et al. 2012). According to an E.U. report, the social economy provides both a “short-term buffer against [the] crisis” and a potentially key element for an exit strategy from it (CIRIEC 2012, p. 49). Viewed as an alternative to trickle-down theory, the Social Economy strategies are seen as holding the potential to advance “a more cooperative form
of socio-economic regulation”, albeit not a general principle, but rather “alongside administrative and competition regulations” (ibid). They could “combin[e] economic development and social development”, rather than treating the latter as a product of the former (ibid).

Efforts to modify the concept for global South produced in 2014, the Inter-American Development Bank (IDB) Group plans to “launch a $5.3 million program to test a new social sector financing model called Social Impact Bonds in Latin America and the Caribbean”, through the Multilateral Investment Fund (MIF) (Multilateral Investment Fund 2014).

Hence, Social Impact Bonds are promulgated as a policy solution with sweeping corrective powers to address across social, fiscal, and economic problems in the context of a crisis-ridden neoliberalism, and initiate an ‘ethical capitalism’ for the twenty-first century.
5. Chapter 5 – Case Study 1: The Peterborough Social Impact Bond

This chapter presents the first of two empirical case studies, analysing the world’s first Social Impact Bond in the U.K. city of Peterborough, implemented between 2010-2015, as an attempt to bring about a form of ‘ethical capitalism’. As briefly described in chapter 3, the Peterborough SIB was located at the intersection of social, fiscal, and economic policy in the post-2008 crisis conjuncture. It responded to the intensifying crisis of mass reincarceration (Wacquant, 2010), seeking to reduce reoffending through new probationary services (Nicholls & Tomkinson, 2015; Warner, 2013). In the context of austerity and ‘public fiscal constraint’ (Blyth, 2013; Peck, 2012a), these services were financed by non-governmental investors in a scheme to ‘mobilise private capital for public good’. And as a corrective to embedded patterns of uneven economic growth (Harvey, 2010; Piketty, 2014), the SIB promised only to pay investors if the project achieved measurable ‘social impact’, implementing a vision of ‘shared [economic] value’ combining ‘social and financial benefits’.

The case is analysed from a cultural political economy (CPE) perspective, as described in chapter two, in the context of a manifold and mutating crisis of neoliberalism, and the related pressures for new governing approaches. According to this approach, policy is not the automatic outcome of context, nor of single actors alone, but instead, as their combination, i.e. as provisional outcome of hegemonic struggles between competing perspectives and strategies advanced by different actors, each hoping to shape the “contours, forms, norms, procedures and practices” of society and its institutions, and to “impose[s] a developmental trajectory” upon the state, economy, society nexus (Hay, 1999, p. 331). From this perspective, the case is analysed in terms of its multiple causes and a multi-actor perspective, and the negotiation between these actors and their
competing perspectives. The SIB is reconstructed as the provisional settlement achieved in the given spatio-temporal setting. Therefore, we are dealing with the iterative reconstitution of the political economy, the dynamic production of ‘common sense’, and the production and modification of hegemony.

The chapter critically analyses the harmony discourse of SIBs – that of a ‘mutually beneficial’ arrangement between all stakeholders (a ‘win-win-win’ situation (Eccles, 2015; Joseph, 2013)) – to reveal instead the multiplicity, provisional agreements, and underlying and unresolved tensions in the assembled discursive and material practices aiming to reduce, manage, and displace unruly variation. This allows me to analyse the Peterborough SIB as a case of ‘ethical capitalism’, understood here in John Clarke’s (2010a, p. 388) words, as a “muted echo of popular scepticism and outrage about the crisis of the present”. Following this interpretation, the case analyses the presence of the former in the latter. To cite Jayasuriya (Sprague, 2010), I analyse how ‘public responsibility’ is developed within modes of market governance in the Peterborough SIB, and how the latter attempts to hold markets accountable to the public. Secondly, I investigate how this ‘scepticism’ or ‘outrage’, in Clarke’s terms, is ‘muted’ in this specific project. That is, I analyse how ‘public responsibility’ is subordinated to market forces in the Peterborough case.

A historical materialist policy analysis (HMPA) contributes importantly to the tasks set out for this chapter, as it enhances cultural political economy by focusing on the mutual presence of competing ‘hegemony projects’ as agents of social and political struggle and reconfiguration. The diverging visions can be understood, in reference to this concept, as competing strategies that push in different directions, and we can make sense of the convergence and divergence of such strategies within the single policy and case.
Following the case study chapters, the analysis chapter focuses on the convergence and divergence of these competing hegemony projects, as a contribution to our understandings of ‘ethical capitalism’ as part of the reproduction of hegemony. But HMPA is important to this case analysis for a second reason, namely, because of the way it links scales between meta-level hegemony projects and more circumscribed and concrete objects of investigation. The multiplicity of strategies in the analysed case has to do with the perception by different actors that the Social Impact Bond provides a potentially advantageous ‘politico-strategic terrain’ for their particular visions or the achievement of their goals.

The chapter is organised around the reconstruction of the three central ‘objects of steering’ that this ‘ethical capitalism’ project seeks discursively and materially to reshape. It shows how social, fiscal, and economic ‘objects’ are selected, construed, and reshaped in the Peterborough case. I describe three moments of steering and structuration (see chapter 3) focusing on discourses, knowledging technologies (that is, those mechanisms governing the interpretation of social processes), and social practices. And I explain the production of consensus between different perspectives with regard to these objects among the multiple actors involved in the examined policy. But I also identify the instability of these settlements, highlighting remaining tensions and problem displacements of this experiment in ‘ethical capitalism’, as a limited response to the ongoing hegemony crisis.

The chapter is structured into five main sections:
Section one provides a short description of the dominant narrative of the Peterborough SIB drawn from the primary literature and produced by central policy actors belonging to what Rosenman calls the ‘social finance industry’.

The following three sections provide thick descriptions of the project’s intervention into the three objects of steering – social, fiscal, and economic crises – in the attempt to advance an ‘ethical capitalism’. These interventions are analysed in terms of the three modes of steering discussed in chapter 3, which are discourse, knowledging technologies, and collective action. This allows me to tease out the multiple and competing meanings within the discursive struggle to define common sense on these projects, the related practical efforts to stabilise certain meaning systems through knowledging technologies, and their institutionalisation through the advancement of specific forms of collective action.

Accordingly, section three focuses on the first policy ‘object’, namely the effort to create ‘social impact’ by reducing recidivism. It focuses on the discourses of social crisis and resolution, incarceration, and the decarceration policy goal. It describes the competition between broad socio-economic explanations and agent focused narratives. I describe how discourses are translated into knowledging technologies to fix particular interpretive frameworks. In the final step of this section, I describe how the social impact narrative is transformed into specific social practices aimed at reducing recidivism through behavioural change.

Section four turns to the fiscal dimension, and the idea and effort to ‘mobilise private capital for public good.’ It describes, in the first sub-section, the case as a discursive intervention into debates about austerity, and an effort to fund services despite fiscal constraint. I explain how the idea of ‘leverage’ is transformed into interpretive categories
to identify and design means for achieving ‘shared savings’ for government and private investors. I then explain how these effect social practices for the circulation of private capital to services organisations for frontline services, and how public assets are shifted back to investors as return on investment. As in the other sections, emphasis is laid on the partial and selective incorporation of alternative ideas for the elaboration of new mechanisms, trying to balance contradictory objectives.

Section five turns to the economic dimension by looking at the discursive-material practice of “producing shared value”. The discourse is the first object of analysis here, as I describe the narrative of mutually-beneficial economic activities for investors and society. As a component of the ‘ethical capitalism’ narrative, this articulates a clear correction to the idea of the pursuit of self-interest and trickle-down theory. I describe how this discourse is translated into knowledging technologies for the interpretation of societal events, namely, incarceration and offender behaviour. I describe how these support the deployment of certain social practices, i.e. particular kinds of probationary services, for the pursuit of common economic goals.

Section six describes outcomes of the social, fiscal, and economic strategies. It asks whether and how ‘social impact’ was achieved. Which strategies were deployed and with which results? Do these represent repressive and fragmentary responses to social crisis, or rather ameliorative ones? Also discussed here is the fiscal strategy. It discusses the implications for public finances of ‘mobilising private capital for public good’. The economic outcomes are also discussed here. I explain whether ‘shared value [was] produced’, and if so, on which grounds. This section focuses on uneven outcomes, the remaining tensions, and displacement of problems resulting from this provisional arrangement.
5.1. Dominant narrative of the Peterborough SIB

This section describes the official account of the Peterborough Social Impact Bond, found in the literature of the Ministry of Justice (2010a), Social Finance (Ministry of Justice & Social Finance, 2010; 2011), and Rand Europe (Rand Europe, 2011, 2014, 2015).

The Peterborough SIB sought to achieve the social change in the area of criminal justice by reducing incarceration levels. This questioned established practices of mass incarceration and rapid prison growth. According to the Ministry of Justice (2010b, p. 5), the prison population nearly doubled since the early 1990s, and there was a two-fold increase in prison budgets in the first decade of the new century. The SIB formulated an alternative ‘decarceration’ goal to reverse these trends by reducing re-incarceration. The government ‘stakeholder’, the Ministry of Justice, framed the Peterborough SIB as an opportunity to operationalise a new position, articulated in its Green Paper of 2010, “Breaking the Cycle” (2010b), to “reduce reoffending” (2010b, p. 1) through a “rehabilitation revolution” (2010b, pp. 1, 5, 12, 77).

According to the joint press release of the MOJ and the Social Finance organisation, announcing the Peterborough scheme, the former organisation described how this “rehabilitation revolution” was being operationalized in the new Social Impact Bond. Justice Minister Crispin Blunt described it as part of a change of course in criminal justice policy that “re-think[s] whether putting more and more people into custody really does make people safer” (Ministry of Justice & Social Finance, 2010). This “constructive approach to rehabilitation” aims to “keep people out of the criminal justice system in the first place” (Ministry of Justice & Social Finance, 2010), and Secretary of State for Justice Kenneth Clarke MP says that the “radical approach” applied in Peterborough seeks “to
get offenders away from the revolving door of crime and prison” (Ministry of Justice & Social Finance, 2010).

Despite the rhetoric, the MoJ’s “rehabilitation revolution” was not directed towards the imprisoned population as a whole, but only a fraction of it. The majority of people in detention would experience an increase in punitive measures, as the MoJ intensified its efforts to make prisons “a place of hard work and industry”, and probation schemes based on “strenuous, unpaid work”, and increased economic stress through the more active “enforcement and collection” of fines (2010b, p. 1). But for short-term offenders, of 12 months or less, the MoJ advanced ‘community re-settlement’ programmes. Describing the Peterborough SIB, the MoJ wrote that “3000 short-sentence prisoners” would be worked with “intensely” by community organisations to “help them resettle into the community” (2010b, p. 42).

In line with a tradition of public sector outsourcing, the Big Society, and the government’s “welfare reform” plans, this probation pilot would be contracted out to civil society groups, with “[t]he voluntary and private sectors [being] crucial to our success”, said Secretary of State for Justice Kenneth Clarke MP (Ministry of Justice & Social Finance, 2010). Contracted organisations would be responsible for “preparing around 3,000 short term prisoners for their lives post-release and [to] work with them to prevent a return to a life of crime” (ibid).

Yet this service expansion ran up against funding problems. It was difficult to secure public resources “at a time of fiscal constraint”, the press release stated, and offered the idea of “tapping into new sources of funding” that would come “from investors outside government” (Ministry of Justice & Social Finance, 2010). Social Finance, an organisation set up by the government to help build the “impact investment market” had
already “raised capital from social investors” in the sum, eventually, of £5 million, which would fund “services in the prison and outside in the community” (Ministry of Justice & Social Finance, 2010).

Unlike direct government funding or charitable donation, this “new source of funding” had to be secured, and so the “mobilisation of private capital” to reduce recidivism in Peterborough was achieved by incentivising it as a private investment with the potential for profitable returns (Ministry of Justice & Social Finance, 2010). This arrangement is supposed to achieve mutual benefits (or ‘shared value’) for both the private investors and the public, the former in the form of profit and the latter in the form of additional resources for social services.

The Peterborough scheme implemented the principles of the social investment market, pinning private rewards to identifiable social change. “[I]nvestors will only receive returns (…) if they reduce reoffending by a set amount,” the MoJ and Social Finance (2010) wrote. That is, investor returns are based on service performance rather than quantity, or in other words, they’re based on ‘outcomes’ rather than ‘outputs’. The returns for the Peterborough SIB would be paid if “re-offending drops by more than 7.5 per cent within six years,” with pay-out sums rising in inverse relation to the level at which recidivism rates fall, with a total outcome payment “capped at £8m” (ibid). If these outcomes are not achieved, however, the investors lose their capital entirely (Ministry of Justice & Social Finance, 2010).

The Peterborough project was pitched as fiscally sound in favour of taxpayers because, in the case of a successful social outcome, the investor returns are only paid from a portion of the overall anticipated government savings resulting from reduced expenditures in remedial services. “[I]nvestors receive a payment representing a proportion of the cost of
re-offending”, that is, they will be paid by the Ministry of Justice out of the savings accrued through reduced expenditures due to reduced need (Ministry of Justice & Social Finance, 2010).

All together then, the Peterborough SIB is framed as resolving the conflicts between the state, private actors, and civil society, as it “align[es] the interests of government, charities, social enterprises and socially motivated investors around a common goal”, as the Social Finance Chief Executive David Hutchinson says (Ministry of Justice & Social Finance, 2010).

These goals were brought together in the following scheme. It was commissioned by the Ministry of Justice in March 2010, who set the policy goal in the area of criminal justice, to reduce re-incarceration among men serving short-term sentences released from Her Majesty’s Prison (HMP) Peterborough (Nicholls & Tomkinson, 2013, p. 9). Social Finance acted as “intermediary” organisation to coordinate the multiple “stakeholders” (Rand Europe, 2011), involving two central tasks, the securing of private investment for the project, and the selecting and coordinating of the service providers to deliver the intervention. As described above, this money was used as the working capital by Social Finance and the service providers for their daily activities, but was also an investment from which the investors hoped to see a return.

Social Finance secured a total of £5 million from 17 mostly “social” investors, including philanthropies, foundations and trusts, some with histories of supporting criminal justice interventions and others bringing new resources to this policy area (Nicholls & Tomkinson, 2013, p. 13). The service intervention was also coordinated by the London-based Social Finance, who established the Peterborough-based “One Service”, consisting of a Director from Social Finance who selected, monitored, and directed the activities of
multiple providers offering mixed probation services, including St. Giles Trust, Ormiston Children and Families Trust, YMCA, and SOVA (Nicholls & Tomkinson, 2013, p. 13). The project’s focus on measuring impact led to the inclusion, in the project design, of additional organisations tasked with establishing methods to conceptualise practical indicators of decarceration, and to identify variables for measuring it. This responsibility was taken up by scholars at the University of Leicester together with the firm QinetiQ, appointed as “independent assessors” to develop measurement techniques and to assess the outcomes of the intervention (Rand Europe, 2011, p. 3). Broader assessment was to be undertaken by RAND Europe for future policy considerations (Rand Europe, 2011, p. 4).

If the intervention achieved the predetermined threshold of recidivism reductions, above 7.5%, the Ministry of Justice and the BIG Lottery Fund would repay investors a return between 7.5 and 13% depending on the level of reductions. These “outcome payments” would be made from a portion of anticipated savings to the Ministry of Justice accrued through reductions in the cost of remedial services corresponding to reduce reconvictions. The investors risked losing their capital however, if the project failed to hit its social outcome target, hence shifting the risk of service innovation to the private sector. The project design described above is illustrated in the figure below designed by Rand Europe.

5.2. Governing the social crisis: decarceration, prevention, individualisation
This section analyses the Peterborough SIB from the perspective of a strategy to manage the social crisis. As discussed in chapter 3, this builds on Dowling and Harvie (2014), to show how the Peterborough case selects the policy object of social crisis – particularly mass incarceration – and discursively-materially reshapes it.
The section has three parts: First, I analyse the ‘social impact’ narrative, with its construals and ‘imagined solutions’ bearing down upon the issue of incarceration. This means, showing how the Peterborough SIB ‘select parts of the world’, ‘represents them’, and does so ‘from a particular perspective’ (Fairclough, 2003, p. 129). From a hegemony perspective, it focuses on how consensus is produced out of multiple, even competing positions, and how neoliberal and progressive post-neoliberal ideas are renegotiated and fused into a new consensus. This lays the basis for a second part, where I explain how the Peterborough SIB measures ‘social impact’ by transforming discourses into knowledge practices and ‘technologies’ – defined by Jessop/Sum as “rules for conceptualization [which] selectively define what and how objects are created, ordered and classified” (2013, p. 216) – centring in this case around the idea of ‘reconviction events’. The final sub-section describes how the case seeks to produce ‘social impact’, that is, it describes the practices deployed in its decarceration strategy.

5.2.1. Narrating ‘impact’: decarceration and personal responsibility
As a form of ‘ethical capitalism’, the Peterborough SIB aimed to present a positive response to its construal of existing and intensifying social crises. The SIB expressed dissatisfaction with a plethora of social ills, and the Peterborough case targeted high rates of prisoner reoffending in particular. This status quo was to be challenged by achieving ‘social impact’. On the general level, this articulates a distinction from two dominant modes of dealing with social crises. First, the interventionist discourse contrasts with trickle-down theory, laissez faire attitude towards social marginalisation, and the individualisation of social problems. The SIB calls for a new role for the state, together with market and societal actors, to directly address social crises. The idea of reducing recidivism also contrasts with the repressive mode of social crisis management, described
by Wacquant (2010, 2011), as the way in which marginalised populations facing economic insecurity are punitively punished and contained. That is, a decarceration idea challenged the idea of ‘prisonfare’, which played an important role in controlling socially marginalised populations since the 1990s (Wacquant, 1999).

The discourse of ‘social impact’ was central for SIBs and for the Peterborough case. Social Finance described SIBs as having “the potential to address some of society’s most intractable problems” (Social Finance, 2009, p. 4), and instead of remaining on the surface, to “address the causes of deep-rooted social problems” (Social Finance, 2009, p. 2). The Social Investment Taskforce, founded by the government to develop the impact investment market, wrote that “[t]he SiB focuses on specific deep-rooted social problems” (Social Investment Taskforce, 2010, p. 18).

The Peterborough project specifically is framed in the same way. In their joint press release announcing the Peterborough pilot, the Ministry of Justice and Social Finance described it as a way to “address [society's] most intractable problems” (Ministry of Justice & Social Finance, 2010). This narrative found a direct media echo, with the Financial Times describing it as a ‘structure for social change’ (2010), and The Guardian as a way to “tackle some of the most difficult social problems” (2010a).

Social Finance described the SIB as having “the objective [of] solving a social issue” (personal communication, Social Finance, 2015), and the organisation’s purpose to be geared towards solutions for “those that are on the most disadvantaged end of society,

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12 In a statement with just 740 words, the BIG Lottery Fund, which provides financial and moral support for social investment projects in the UK and the Peterborough SIB in particular, describes SIBs as addressing “social problems” or “social issue” eight times. The SIB is described as “a tool for preventing social problems across the UK” (Big Lottery Fund, 2010). It “presents a new way to tackle social problems”, to “solve specific social problems”, and to provide “benefits to society”, to “address its most intractable problems”, to “target deep-rooted social problems”, and to bringing about “solutions to old, entrenched problems” (Big Lottery Fund, 2010).
who are facing specific social problems”, with the SIB “addressing social problems and achieving social change” (Social Finance, 2015). The government’s social investment bank, Big Society Capital, also described the SIB as a way to “solve social problems and social challenges” (Big Society Capital, 2015).

But the solutions SIBs claimed to advance were not surface-level responses, They were intended instead to “solve social problems” at a deep level by “address[ing] root causes” (Social Finance, 2010b, p. 7). They do so by “provid[ing] longer term private investment to fund early intervention that addresses the root causes of social issues”, writes the Social Impact Investment Taskforce (Social Investment Taskforce, 2010, p. 19). The SIB could fund interventions to “tackle the root causes of the social issue” (Social Finance, 2010a, p. 47). In their “Fact Sheet” on Social Impact Bonds, Social Finance writes, SIBs could “tackle the root causes of a range of social issues” (Social Finance, n.d., p. 4). In their workshop on the topic, they write, SIBs strive to “[e]nsure the root causes of the problems are addressed and comprehensive solutions developed” (Social Finance, 2013c, p. 34), and to “[e]nsure the root causes of the social issue are addressed and comprehensive solutions developed” (2013c, p. 35).

In the Peterborough case, the general idea of social change was connected to the particular criminal justice issue, to reduce high rates of re-incarceration amongst short-sentenced prisoners. Social Finance and the Ministry of Justice wrote in their press release launching the pilot that 60% of people released from short-term sentences are reconvicted in the 12 months following their release (Ministry of Justice & Social Finance, 2010), a statistic repeated in countless policy documents (Big Lottery Fund, 2010; Social Finance, 2010b, p. 1, 2011, p. 6) and the popular media (BBC, 2010; Financial Times, 2010; The Guardian, 2010a, 2010c).
“Forced to Reoffend” – Socioeconomic causes of incarceration

One reason for the characterisation of the Peterborough case as an ‘ethical capitalism’ project, is its discursive variation in relation to the social crisis which included a mix of narratives about incarceration, ranging from structural arguments focusing on socioeconomic causes to individualist positions focusing on personal behaviour. The Social Finance (2016, p. 3) organisation listed a range of explanations for social problems, a way of incorporating diverse perspectives into the SIB project. They wrote for example that: “[t]he roots of most social problems are structural, from economic forces and market failures, to political systems, to sociocultural factors.” This section discusses first, the broad arguments before showing how these were narrowed down, and how socioeconomic explanations are backgrounded, especially in translating discourses into knowing technologies to interpret societal processes, organise data, and shape collective action.

It was not uncommon to find socioeconomic explanations of incarceration in the SIB policy literature and that of the Peterborough case in particular. Social Finance linked reoffending to poverty, writing, in multiple documents, that short-term offenders “leave prison with typically £46 in their pocket, often with nowhere to live, no job to go to and no family waiting for them. An extremely high proportion of them leave prison only to return a few weeks/ months later” (Social Finance, 2011, p. 6). The economic desperation of offenders was confirmed by the One Service’s “needs assessments” (discussed below), which found that over 80% of survey participants had a “Finance, Banking, and Debt (FBD) need”, nearly a quarter had been homeless upon their re-entry to prison, 16% had debt problems, more than half lacked bank accounts (Social Finance,

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13 The same organisation repeats this statement for its U.S. audience (Social Finance, 2012, p. 9).
Social Finance wrote that “[m]any [ex-offenders] are homeless and do not access public services such as health care or state benefits” (Social Finance, 2011, p. 16).

Yet these narratives did not find their way into social practices. Instead, SIBs target the ‘shortcomings of “service design, delivery and accountability” of “public, non-profit and voluntary sector organisations”, as Fraser et al. argue (2016, p. 6). That is, although roots of social problems are identified in socioeconomic structures, SIBs target the welfare system as an object of transformation.

In effect, they do not eliminate but rather shift socio-economic factors to the ‘background’ (Fairclough, 2012, p. 463), de-politicise and naturalise them as immutable parts of the social world. In an interview with Big Society Capital (personal communication, Big Society Capital, 2015), we see the process by which the selection of an object for steering involves a process of construal whereby other objects are excluded and shifted to the background. In this example we see how economic determinants remain present, but recast as part of a ‘macro-economic environment’, and simultaneously the new objects of steering are construed and selected, in this case, the “additional barriers” which economically disadvantaged people face when encountered by inadequate welfare services. My interviewee says:

[Y]ou’re obviously always constrained by the macro-economic environment and the opportunities that are provided to people generally, and to generally enter the workforce and things like that. But within that context there are many disadvantages that in this case, ex-offending groups are subjected to, which make it harder for them to reengage. So it’s a question of how we lower those barriers
and address all the different challenges to the individuals as they face them. (personal communication, Big Society Capital, 2015)

This person explains that SIBs do not address the socio-economic causes directly but instead target the additional factors that drive someone facing an economically desperate situation into reoffending. Stressing in a direct way the weight of pressures driving such individuals back into prisons, he says that projects should “enable someone to not be forced to reoffend” (emphasis added).

This same operation is undertaken by Social Finance, where the interviewee similarly acknowledges and then brackets out economic causes as explanation of crime and object of policy intervention. This person said:

I think framing it just through the poverty lens is an over-simplification. There are people who are equally poor who are not committing crime, or who have much more stable lives. So, there could be a whole range of things happening. (personal communication, Social Finance, 2015)

Conceptualising socio-economic causes as background context, the Peterborough SIB turned its attention to the additional problems of current (gaps in) service provision driving low-income people into crime. The systemic problems located in the economy and economic policy are backgrounded through privileging the “individual needs” and “practical problems” of persons in economic distress. According to Rand Europe (2014, p. 3), “the One Service aims to provide individualised support and to address offenders’ practical problems such as those relating to accommodation”.

Here we see how the Peterborough SIB both acknowledges the class determinants underpinning the “cycle of reincarceration”, and take these interdependencies apart
conceptually, selecting as preferred ‘object of steering’ the ‘culture of poverty’ and the existing system of “welfare dependency”. These are the real objects of steering, which are to effect decarceration and create ‘social impact’, as I explain below, with material support reduced to the bare minimum, and the decarceration goal being sought with the method of shifting individuals from the institutions of prisonfare to those of workfare.

Here, the Peterborough case exemplifies how “[t]he overall social context is subdivided into specialized policies to dis-identify societal interrelations”, and how, discourses as well as social and institutional practices are advanced “to individualize the problems of social groups” (Candeias quoted in Brand 2014, 436).

The insulation of socioeconomic factors as potential objects of steering and policy renegotiation does not mean that they disappear entirely from view. Instead, we can observe what Fairclough calls their “backgrounding”, which allows them to remain present in the discourse, but not as objects of steering or intervention. Pushed to the background, socioeconomic factors are ‘de-politicised’, ‘reified’, ‘sedimented’, or ‘naturalised’, which “gives them the form and appearance of objective facts of life” (Jessop, 2014, p. 216) beyond the purview of policy intervention.¹⁴ The socioeconomic context remains a cause of reoffending, but as an object that is insulated from policy selection, enabling the selection of other objects for steering.¹⁵ Socioeconomic factors are

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¹⁴ The original conception of SPBs also included a critical attitude towards the inequalities produced by market economies and the focus on self-interest. However, Horesh too criticized the failure of states to compensate for this situation, and saw with the SPB, the insertion of (market) incentives that could better serve that function.

¹⁵ That socioeconomic factors are retained in the SIB discourse as cause for re offending retains – and backgrounded, rather than eliminated – plays an important function in allowing them to resonate, and dodge public criticism, which will be discussed in the hegemony chapter.
shifted to the background by re-framing them as part of a restrictive, yet immutable, context.  

‘Preventing practical problems’: Personal coping strategies and restructuring welfare

In this reframing, poverty is an important condition of reincarceration, but not the object of steering. The SIB focused on changing the behaviour of ex-offenders and improving their personal resilience, and changing welfare to become more effective in producing ‘social capital’. Former offenders were targeted for their own ‘rehabilitation’ and ‘resettlement’ failures.

The Peterborough SIB reflected a general trend among councils (dealing with budget cuts), to achieve efficiency gains by investing in “preventative” programs to reduce future need through “re-ablement” (Joseph Rowntree Foundation, 2013, pp. 21–22). In a host of policy areas, the council sought to “reduce people’s reliance on care services”, by “prevent[ing] [those] with ‘emerging vulnerabilities’ from needing ‘the most expensive services’” (BBC, 2011b).

As a One Service caseworker explained, the program sought to change personal behaviour by “put[ting] in a strong coping strategy for the client” dealing with the situation of economic desperation (Rand Europe, 2015, p. 31). While poverty remained in the literature as an explanation for reoffending, the focus turned to changing personal behaviour and addressing welfare gaps. Social Finance wrote, for example: “We wanted to understand why the re-offending rate of short sentenced prisoners was so high and what hampered good organisations in their work.” Having framed the socioeconomic

16 While the socioeconomic factors are moved to the background, and the interdependencies are broken apart, their presence in the SIB discourse, plays an important part in the broad consensus behind them. These causes are not absent. And although the practice is an individualising one, the SIB is absent an explicitly moralising and stigmatising narrative that would cause friction among certain audiences.
“background” causes, the increasingly singular “challenges identified” by the authors are the limitations of service organisations – for example, funding issues, contractual arrangements, and service design – moving the socio-economic causes of blue-collar reoffending to the background (Social Finance, 2011, pp. 6–7).

Another example of this manoeuvre can be seen in the following text fragment, again from Social Finance. They write:

Prisoners serving sentences of less than a year typically receive little support upon release; they often leave with just £46 (~us$70) in their pocket and no housing, job, or family support. Consequently, over 60% become repeat offenders within one year. The SIB contracts organizations, including the St Giles Trust, Ormiston Children and Families Trust, the YMCA, and SOVA, to provide tailored wrap-around services to 3,000 prisoners before and after their release to facilitate successful re-entry into the community. (Social Finance, 2012, p. 9).

In these passages we see a certain representation of the social causes of reoffending, where the socioeconomic determinants are stated alongside the service gaps. This allows for the retrenchment of remedial services to proceed through the expansion of preventative interventions. The socioeconomic causes are not eliminated from the discourse, but backgrounded, allowing “preventative” practices to advance, which focus on changing personal coping strategies, and inclusion in the labour market.

5.2.2. Measuring impact: ‘reconviction events’

Above I described how the concept of ‘social impact’ is used to narrate the problem of mass incarceration in the Peterborough SIB, and how the goal of decarceration was articulated. I explained how structural and individual construals were negotiated and how
an approach favouring the latter was elevated, and linked to the strategy of optimising personal coping strategies at the expense of reforming structures. This entailed too, the partial and selective refashioning of some welfare institutions away from punitive, remediation towards preventative interventions with the aim of ‘community re-settlement’.

Situated between this discursive focus and the material practices of collective action described below, is the mediating zone in which discourses are translated into ‘technologies’ for organising social processes. These are the quantitative measurements developed in the SIB to identify meaning and produce sufficient categories, in this case, to translate ‘re-offending’ into ‘reconviction events’, as explained below, and to provide structure of meaning to legitimise and coordinate social practices to ‘impact’ (i.e. reduce) it.

A SIB’s emphasis on quantifiable assessments of social impact required categories for conceptualising and measuring changes in reincarceration levels resulting from the One Service’s intervention. The contracted researchers at the University of Leicester and QinetiQ selected the proxy of “reconviction events” to measure reoffending (Rand Europe, 2011, p. 33). This refers to new court convictions (Rand Europe, 2011, p. 33), the “last step in a criminal justice process, in which there are high rates of attrition: an actual offence must be reported to the police, recorded by the police, a suspect must be detected, a criminal prosecution be taken against them and a conviction secured at court.” So, while this proxy “underestimate[s] the actual number of offences”, the proxy had the assumed advantage of being closely linked to costs and potential savings for the Ministry of Justice and other departments. The MoJ prefers this measure as well because it is
“likely to have a close relationship with costs to the criminal justice system” (Rand Europe, 2011, p. 33).

The project’s effectiveness would be assessed by comparing offending figures between test group with a matched control group (Rand Europe, 2011, p. 33). And the project was to be assessed at three intervals, of “three cohorts of [1,000] offenders” (2011, p. 33).17

The programme would be judged based on its ability to hit “outcome targets”, which would also “result in an outcome payment to investors” (Rand Europe, 2011, p. 33), as described in detail in the following sections. Two targets were set. The first is a 10% reduction in any cohort of 1,000 persons, compared to the control group (Rand Europe, 2011, pp. 33–34). The second target refers to the entire 3,000 persons, and is equivalent to 7.5%. These figures were regarded as “statistically significant” by the Ministry of Justice, meaning, they allow causal attribution for changes to the intervention rather than to external factors (Rand Europe, 2011, p. 37).

5.2.3. Producing ‘impact’: optimising personal coping strategies
In the above sections, I showed that while the SIB often frame the ‘cycle of reoffending’ as strongly influenced by socioeconomic factors, its strategy to reduce recidivism focuses on personal behaviour of offenders. This coheres with a broader ‘resilience’ framework in the U.K., and particularly, with a “highly agent-centric conceptualisation” that neglects social conditions “when applied to how individuals and households respond to hardship” (Dagdeviren et al., 2016, p. 1). Individual coping strategies should be optimised to deal with the stressful situation of economic desperation, and the psychological pressures that

17 To prevent cherry picking, and incentivise One Service to focus on all prisoners, the figures of reconviction events would be compared for all cohort members, not only those who participated in the program.
often accompany it, so to prevent these struggles to reproduce themselves from spilling over and transgressing the border of legality. Hence, the Peterborough SIB may be understood in terms of poverty management, where the One Service is tasked with governing the porous boundary between poverty and incarceration. This section focuses on the social and institutional practices aimed at governing this boundary and these subjects to reduce their risk of reoffending, to “focus resources on those most likely to reoffend” (Rand Europe, 2014, p. 24).

The One Service’s practical focus was to reduce risk of reoffending by “re-settling” ex-offenders in the community through a multi-service intervention focusing on employment, training, behavioural adjustment, and minimal material and psychological support for dealing with poverty. This meant that the policy goal of decarceration and rolling back of the state’s remedial services was to be achieved by rolling out “preventative services” in civil society – the recoiling of the repressive apparatus of punishment pursued through the roll out of activation policies of “rehabilitation”. The Peterborough SIB acted here as a bridge for ex-offenders passing from the institutions of prisonfare to those of workfare, and the shift of state resources from the former mode of social regulation to the other, preparing the soft and hard skills for potential absorption in the labour market.

*Precarious social reproduction*

If the Peterborough SIB was based on addressing, what it saw as, a poverty-induced ‘cycle of reincarceration’ (as described above), the One Service’s research only reinforced this view. Through its “needs assessments” and interviews with ex-offenders, it created a picture of people struggling for survival, both materially, and with the social and psychological stress induced by the pressures of subsisting at a bare minimum. It echoed
what research had already confirmed, that much blue-collar crime was the result of efforts amongst precarious workers to sustain themselves and the way these efforts sometimes defied the boundary of legality and resulted in reconvictions.

The porousness of this boundary was emphasised in interviews conducted by Rand Europe for a report for the Ministry of Justice, where cohort members explained that it was their difficult struggles to satisfy their basic material needs within legal parameters that would drive them to reoffend. One interviewee said that if s/he had not been supplied by the One Service with a £25/week voucher, while his/her benefits were being sorted out, “then I would have gone out and committed a crime to get the money, just to feed myself. (…) That prevented me from going out and committing a crime” (Rand Europe, 2015, p. 48).

Another cohort member expressed his/her economic desperation and pointed to One Service’s minor financial support as critical factor in stopping offending: “if you didn’t have money or you’re thinking about robbing something to get some food, you don’t have to do that. Or if you have to get somewhere, you don’t have to jump on the train and stuff” (Rand Europe, 2015, p. 48).

A third example from this same report points again to the central role the crisis of social reproduction played in determining recidivism or not. “[I]f I didn’t have my flat when I came out,” the cohort member said, “I would have done whatever means possible really to make money…” The One Service “kept a roof over my head and, at the end of the day, if you’ve got a roof over your head the rest comes in time, doesn’t it?” (Rand Europe, 2015, p. 47). Nor was the porousness of this boundary lost on actors far removed from the frontline of the social reproduction crisis. Emphasizing the strong material restraints
a Big Society Capital interviewee portrayed a very narrow space for agency, describing deeply precarious persons as being “forced to reoffend” (personal communication, Big Society Capital, 2015).

This social crisis was confirmed by data generated by One Service in the form of their “needs assessment” surveys with cohort members. Conducted by St. Giles Trust working under the umbrella of the One Service, these presented a general situation of precarious housing, employment, and health. “Housing, employment and benefits support”, the Rand Europe team reported (2014, p. 23; 2015, p. 40), “were the most common service user needs recorded in case files and mentioned in interviews”. An “interim snapshot” in September 2011 showed 94% of “needs assessment” surveys expressed “accommodation need”, with 23% of people “sleeping rough on reception to prison” (Social Finance, 2011, p. 17). More than a third of cohort members of the first two cohorts expressed needs relating to “accommodation; finance, benefit or debt; and education/training and employment.” One fourth “had needs relating to addiction, with about a fifth having a health and well-being need” (Rand Europe, 2015, p. 30).

Reducing reoffending risk through individualised support, monitoring, and control
Yet, while such data confirmed existing research on the socio-economic causes of crime, for example, of “[t]he importance of housing in desistance [which] is also reflected in wider empirical literature” (Rand Europe, 2015, p. 44), it was not its purpose to increase housing support, but instead, to provide a picture of individualised offenders. The aim was to improve casework, to identify persons at high risk of re-offending, i.e. to better manage reoffending risk, not to secure basic necessities. In other words, reoffending was to be reduced by lowering its risks through the targeted and limited deployment of support, but not by providing social protections to solve needs. The data was used by the
One Service as a technical part of its work in assessing whether certain unmet needs would raise risks of reoffending, which ones to respond to, in what capacity, at what moment, and which what intensity and duration.

This “individualised approach” to social work was to be “tailored to the specific range of needs presented by each offender” (Rand Europe, 2014, p. 21). The “needs assessment” was an ongoing process, initially involving a “short screening instrument”, and “the second part contain[ing] more detailed questions about identified areas of need” (Rand Europe, 2014, p. 22). It was a “flexible and individualised service to be delivered to cohort members” (Rand Europe, 2014, p. 5). And it was used to “address needs and prevent reoffending’” (Rand Europe, 2011, p. 44).

Having recognized structural and economic sources for reincarceration, yet bracketed these out as potential objects of steering, the One Service also rejected outright any “theory of change” that might clearly identify the causes and solutions for reoffending. “[T]here is no fixed intervention model or single theory of change articulated for the One Service” (Rand Europe, 2014, p. 1). Instead, the One Service translated general social problems into “practical” ones, preferring “a pragmatic and client-led approach, in which the mix of activities for each offender is determined by caseworkers according to individual need” (Rand Europe, 2014, p. 1).

Hence the needs assessment was serving the higher purpose of a “risk assessment” (Rand Europe, 2011, p. 67), and the practice involved addressing unmet needs insofar as these presented a risk of reoffending and could not be resolved by other sources. This meant the support always tended towards limitation rather than extension. Addressing unmet needs was not in the form of generalized support, but rather filling in holes, first perceived
through “risk assessment”, then filled through minimal, targeted, and time-limited supports, as I explain below.

As Rand Europe (2015, p. 48) explains, “the One Service provided material support in situations that might otherwise have created acute pressures on cohort members, and which in turn could have led them to reoffend.” Strong conditionalities were linked to any effort to reduce these unmet needs.

‘Community resettlement’
Tasked with reducing reoffending risk was Social Finance’s One Service organization, which adopted the “Through the Gates” (TTG) programme developed by the St. Giles Trust, which focused on addressing a variety of “resettlement needs” amongst offenders, beginning during their time in detention, and supporting them throughout the first year after their release (Rand Europe, 2015, p. 37). The One Service contracted services from St Giles Trust, Sova, Ormiston Families, the YMCA, and Mind.

TTG “focuses on establishing a credible working relationship with each offender while they are in prison, and transferring this relationship into the community” (Rand Europe, 2011, p. 66). Their “buy-in” was “primarily related to the help they expected to receive upon release – for example, with housing, benefits, or accessing specialist help” (Rand Europe, 2015, p. 41).

A central plank of TTG was the risk and needs assessments it made with cohort members, initially during their time in custody and late renewed following their release. The One Service attended the “discharge boards” before an offender’s release, in order to “identify service users’ unmet needs” and to “ensure necessary arrangements for a prisoner’s release were in place” (Rand Europe, 2015, p. 37).
Hence, rejecting general solutions for a social problem with common causes, the generally observable (economic) causes of blue-collar crime were fragmented, and the One Service pursued individualized “risk” and “needs assessment” for each of the 3,000 cohort members. “Undertaking assessment of the risk of reoffending is the starting point of focusing resources on those most likely to reoffend” (Rand Europe, 2014, p. 24). As Rand Europe (2015, p. 30) writes, the One Service sought to “identify a cohort member’s most pressing resettlement needs” and “provided material support in situations that might otherwise have created acute pressures on cohort members, and which in turn could have led them to reoffend” (2015, p. 48).

Hence we see “crisis management” transferred to the micro-level of crime prevention where “prevention” means policing the boundary separating the struggles among precarious individuals to sustain themselves from spilling over into petty crime and small infractions.18 These minor material supports were combined also with repressive means of achieving the ‘social impact’ targets, namely through the attempt to reduce ‘idleness’, for example, by taking ex-offenders ‘litter picking’, as one interviewee revealed to me (personal communication, Sova, 2014b).

**Supporting benefit claims**

Having assessed accommodation (and other) needs, the One Service sought to address these, not by expanding services, but by supporting offenders’ benefit claims with existing institutions. It did so by doing “more than just mak[ing] referrals or advis[ing] cohort members where they [could] get help. They support[ed] cohort members to

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18 Hence, while earlier forms of social welfare provision were based on the idea of ensuring the persons’ welfare bound to the idea of social rights, access to services achieved by the one Service is of a “flexible” nature like a fire-fighter addressing unmet needs when they appear to cause risk to boil over into the area of crime.
overcome practical barriers to using existing services, sometimes physically transporting and accompanying cohort members to appointments” (Rand Europe, 2014, pp. 29–30), or “filling out forms, arranging appointments, and in some cases advocating to relevant services on behalf of the service user” (Rand Europe, 2015, p. 45). Having these basic material needs fulfilled, the One Service understood, lowered the risk of reoffending.

Minimising material support
But while the One Service was attuned to the material needs of cohort members, they could not always rely on available services, and were compelled to fill gaps. But they sought answers without establishing stable supports. They wanted to avoid “creat[ing] new dependencies” on services which would end when the SIB was completed (Rand Europe, 2014, p. 35). One specific problem were the formal restrictions on housing accessibility for ex-offenders, for example, “where accommodation providers required abstinence from alcohol or drugs as a condition of residence” (Rand Europe, 2015, p. 45), and due to the lack of affordable housing stock in the city. The One Service approached this contradiction by offering targeted, temporary, and limited support to address unmet needs.\footnote{The One Service Director also advocated for the expansion of statutory services, at least in one case, but the expansion of services was not a general practice. “An example of where this issue was reported to have arisen was in relation to mental health services. The One Service had commissioned Mind to provide support to cohort members with low-level mental health needs. However, for cohort members with higher levels of needs, the One Service Director reported holding constructive discussions with commissioners of mental health services about the possibility of extending existing statutory provision” (Rand Europe, 2014, p. 35)}

The intended limited nature of the One Service’s support is exemplified in the figure given by Social Finance, wherein they write that 99% of accommodation requests of cohort members were met for the first night of release (Social Finance, 2011, p. 17). In other cases, the One Service supported cohort members for “a first week’s rent” or with
deposit funds for accommodation at local B&Bs. Yet not only were the time-frames strongly limited, the funds were initially provided as “loans to service users” with the expectation of reimbursement, and only later issued “without expectation of repayment” after encountering the “complications in tracking these” (Rand Europe, 2015, p. 44). Eventually, the difficulties in securing housing for cohort members led the One Service to support Sova in hiring a “landlord liaison caseworker” as a “point of contact with landlords, to encourage them to take and keep service users as tenants” (Rand Europe, 2015, p. 35). But accommodation needs remained unmet through the life of the project, as relayed to me by an interviewee with Rand (2016), and in response to this problem, the One Service Director went off course and sought to purchase housing stock near the end of the project to provide these material supports. So long as the programme remained within the narrow path of providing only minor minimal supports, the director assumed, these unmet needs might negatively affect the project’s ‘impact’ levels.

*Emotional support: ‘my job is to put in a strong coping strategy for the client’*

The One Service also recognized that the challenge of living on the edge of precariousness is also a source of emotional stress that places strains on personal and familial relationships, and drives some cohort members to substance abuse, or makes it difficult for them to give up these habits. The organization approached this with the idea of installing personal coping strategies, in order to improve cohort members’ skills in managing stress related to personal economic difficulties.

One St. Giles Trust caseworker explains for example the challenge to one cohort member whose recovery from addiction was destabilized by the financial pressures of personal debt, and how these layers of stress would be dealt with by installing more durable personal coping strategies:
I’ve just finished with one client who has, over the past 10 years, been drinking heavily, continuously in trouble, and we’ve managed to settle him down. He’s now engaging with probation, he’s doing some volunteer work, he’s also liaising with his doctor on mental health support. But with all that came the rent arrears and so on that the council wanted, and that adds to the issue. Where you think your client is stabilised, he then becomes very anxious and mental health issues start coming in. He may start drinking, because his coping strategies aren’t there. So my job is to put in a strong coping strategy for the client, or through the help of others. (Rand Europe, 2015, p. 31) (emphasis added).

As explained above, insofar as the One Service is not involved in directly addressing personal debt, other than supporting cohort members to access existing services, the development of a personal coping strategy to deal with stress meant counselling and ‘mentorship’. Sova recruited 50 volunteers and St. Giles coordinated 6 of them, to work as mentors, meeting with cohort members on a weekly basis, providing an opportunity to talk, but also providing ‘practical support’ in accompanying them to appointments, completing administrative tasks such as filling out forms (Rand Europe, 2015, p. 33).

Volunteers saw their role as transferring positive energy to cohort members. One Sova volunteer said, for example: “the more positive you are with them it starts to transfer onto them a bit and they become more positive about their own life chances about receiving help, about how you can help them” (Rand Europe, 2015, p. 31).

**Disciplinary workfare**

Yet while these examples describe how the decarceration agenda involved minor material supports, it more so showed how punitive prisonfare was being replaced by disciplinary workfare (Peck, 2002). Any kind of employment activities were seen as countervailing
forces to reincarceration, and this meant for most people released from Peterborough Prison, low-wage work, and cohort members were willingly or unwillingly connected to the local labour market. Hence, the One Service pushed its own agenda beyond the expressed needs of cohort members, particularly in relation to employment. “The needs assessment”, Rand writes (2011, p. 66), “includes a discussion about their accommodation requirements and history,” but this “in turn can divulge useful information about their other needs”. The “hope” is to “secure their engagement” and to “allow the St Giles Trust team to focus on other needs, such as employment or drug rehabilitation” (2011, p. 67).

The One Service sought to “remove the barriers to work”, connecting skilled and unskilled workers with training or job opportunities with the Job Deal programme, especially in construction (Rand Europe, 2014, p. 35), while the others were brought to “motivational workshops” to get them back in the workforce (Social Finance, 2011, p. 17).

5.3. Fiscal strategy: ‘impact investment’ to ‘counteract austerity’

The current section focuses on the second dimension of the Peterborough case, and, following the methodology presented in chapter 3, analyses the intervention into the fiscal policy object and attempt to discursively and materially reshape it. The financial sector rescue of 2008/09, directly following the market crash created enormous public deficits (Blyth, 2013), as described in chapter 4, resulting in declarations of a fiscal crisis of the state (Hendrikse & Sidaway, 2010). This was followed by political pronouncements, for example, by David Cameron, of an ‘age of austerity’ (The Guardian, 2009b) demanding deep cuts to the public sector and local government.
In fact, local governments were required to cut their budgets by 30% between 2008 and 2015 (O’Hara, 2015, p. 177) and Peterborough reductions amounted to £15 million annually (Peterborough City Council, 2010), and a pledge in 2011 to cut social care by £75 million over the following five years (BBC, 2011a).

In this context, it was “envisaged”, Dowling and Harvie (2014, p. 9) write, “that where the state steps back” from financing social protections, SIBs will “help mitigate [the state’s] own fiscal crisis” by drawing in private resources from the impact investment market. And as Dowling writes (2016, p. 12), “[i]n the UK where austerity is a dominant policy orientation, there is a focus on the role of the social investment market in plugging the public funding gap.” Hence, as we’ll see, the SIB’s fiscal strategy is closely intertwined with its social strategy, as it creates new links in the funding, logic, and operations of social and fiscal policy. As Hedderman (2013, p. 52), a researcher on the team of independent evaluators for the Peterborough SIB writes, “it is not surprising that the Ministry of Justice (2013a:3) is hoping that [the SIB] will help to ‘free up funding through increased efficiency and new ways of working’”.

Following the structure in above section on the social dimension, this section has three parts. It begins with the fiscal discourse of narrating ‘leverage’ (“leveraging private capital for public good”); it continues by describing the measuring of leverage and the technologies developed; the final sub-section describes the practices arranged to produce leverage, thereby operationalising the SIB’s fiscal strategy.

5.3.1. Narrating ‘leverage’: “private capital for public good”
A dominant narrative of the Peterborough SIB, and of the social investment market more broadly, was that there was a way around austerity. While public fiscal deficits and budget regulations limited certain policy options for local governments and ministries,
they hoped with SIBs, to manoeuvre around these problems, by tapping into the large sum of surplus capital held in the private sector. As JP Morgan wrote, the Peterborough SIB is a way for government to “counteract fiscal consolidation with impact investment” (JP Morgan, 2011).

Announcing the Peterborough Social Impact Bond in 2009, for example, the Ministry of Justice and Social Finance wrote in their joint press release that, “[a]t a time of tight public finances” SIBs “can tap into new sources of funding to reduce reoffending and provide value for money for the tax payer” (Ministry of Justice & Social Finance, 2010). Throughout the policy literature, the media reports, and my interviews with policy advocates and practitioners in the field, a dominant fiscal argument was made that in “time[s] of great pressure on public sector budgets” (Rand Europe, 2011, p. 9), government needs to draw in new resources. In only slightly modified form, Social Finance writes: “At a time of tight public finances, payment by results models such as this can tap into new sources of funding to help reduce crime, change lives and provide value for money for the taxpayer” (Social Finance, 2011, p. 33).

Social Finance had already begun preparing this narrative in 2009, promoting the idea of bringing in non-governmental resources “[i]n these budget-constrained times” (Social Finance, 2009, p. 6). Such resources, they write, “could enable the public sector to achieve more with less – a likely necessity over the coming years” (Social Finance, 2010a, p. 20). The SIBs could “open-up a seam of new capital for public good” (Social Finance, 2010b, p. 2). The Peterborough SIB, Rand wrote, was successful in attracting new resources: “some of the investors in the Peterborough SIB had not previously funded criminal justice interventions” (Rand Europe, 2011, p. ii). And Big Society Capital also wrote in 2014 of
the development of a “social investment market” in a time of “significant cuts in public spending” (Big Society Capital, n.d., p. 30).

‘Counter(imp)acting austerity’

These first elements of SIB’s fiscal narrative challenge in a limited way the discourse of fiscal austerity. This is done by partially challenging the notion of scarce resources, by pointing out that public fiscal deficits are the flipside of private capital surpluses. The Peterborough SIB suggests a way around austerity that would ensure public authorities with access to these resources. This argument steps away from an orthodox neoliberal austerity narrative, which demands ‘belt-tightening’ (Blyth, 2013). Yet while SIBs frame austerity as a problem, they do not target such policies as an object of steering, but instead naturalise it as a background feature of the immutable policy context, within which public authorities must operate.

What this means is that the fiscal strategy does adhere to the ‘austerian realist’ disposition of “regretful austerity compliance”, avoiding a direct pushback against fiscal cuts (J. S. Davies & Blanco, 2017; J. S. Davies & Thompson, 2016), but it also imagines an alternative to political paralysis. SIBs present an ‘imaginary solution’ to the ‘problem’ of ‘scarce resources’, enabling local authorities to maintain services by drawing upon alternative resources, namely private capital. This approach implies that the problem is not one of scarce resources, but instead the distribution of resources between public and private hands (Blyth, 2013, p. 14), with public fiscal deficits directly related to private capital surpluses. Instead of scarcity-necessitated-austerity, advocates of SIBs counter that there is unevenly-distributed-abundance between public bodies and the private market.

It is important for my argument here to point out that the SIB involves the renegotiation
of fiscal discourses (and practices, as we see below), the partial distancing from the neoliberal austerity narrative, and the selective incorporation of the progressive post-neoliberal narrative, mostly in its redistributive, Keynesian variant. Warner and Clifton have framed SIBs therefore as a ‘third way’ fiscal strategy, which neither succumbs to a passive ‘hollowing out’ of the welfare state, nor participates in an anti-austerity ‘push back’, but instead seeks to ‘ride the wave of financialisation’, wherein local governments “us[e] markets, as one of the few tools left, to continue to provide basic public services” (2013, p. 54).

**Incentivisation**

Pointing to private capital surpluses as the counterpart to public fiscal deficits, was a central point of post-neoliberal perspectives calling for the rebalancing of resources (Blyth, 2013). The idea of putting such surpluses to public use resonates with such a position. However, the Peterborough SIB did not tax private wealth, but instead, attracts them by *incentivizing* investors with the possibility of profitable returns. Here, surplus private capital is not redistributed to the public, but instead circulated through social policy channels, with the intention of absorbing larger sums upon its return to the private investors. This may be understood as the reformulation of a post-neoliberal perspective within a market-centric framework, or as Fairclough describes, referring to New Labour ‘third way’ appropriation of the concept of ‘social cohesion’, “a strategy of legitimizing the discourse” of an opposing viewpoint “in terms of the neo-liberal discourse” (2003, p. 128)\(^{20}\). But this occurs not simply at the level of discourse, it has to do with social practices, as we see below.

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\(^{20}\) Fairclough describes the third way politics in a similar fashion, arguing that, “although these discourses can be seen as fundamentally incompatible in how they represent and imagine people, what we have
Efficiency gains and public savings

The fiscal strategy was only possible, it was argued, if the Social Impact Bond would create government savings, from which to repay investor profits. Not only would the £5 million investment offset government funding shortfalls, and allow up-front financing for service organisations – these interventions were expected to reduce long term welfare need and remedial expenditures, with significant corresponding savings.

For the Ministry of Justice, cost savings play an important legitimising role for decarceration policies. These fiscal goals of justice policies are repeatedly emphasised as positive outcomes of the social goals. In a typical passage by the Ministry of Justice, the social goals of prevention are connected to the fiscal goals of public savings:

In the UK around 60% of adults who enter jail on short-term sentences (less than 12 months) will go on to re-offend within a year of release. The Ministry of Justice manages the outcomes of criminality, but the Peterborough SIB aimed to tackle the problem at its root by providing rehabilitation support in the community, including services to improve participants’ employability, to prevent reoffending. (…) Thus reducing recidivism amongst those most likely to re-enter the system stands to make considerable savings. (Ministry of Justice, 2014)

In fact, fiscal savings played an important role in the conceptualisation of the social objective itself and the strategies to achieve it. The social outcome measurement chosen by the project as a proxy for reduced reoffending was in part selected because of the assumed correspondence with Ministry of Justice cost savings. They wrote: “This

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here is a strategy of legitimizing the discourse of social cohesion in terms of the neo-liberal discourse” (2003, p. 128).

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outcome was chosen as it aligned most closely with the costs to the criminal justice system that it was seeking to reduce” (Ministry of Justice, 2014).

The idea is that such savings will result from less costly “preventative” services compared with remedial expenses. The cost savings the MoJ expected from the Peterborough SIB is formulated in the following terms: the “[s]avings will be made through reduced administrative costs associated with any crime, plus reduced prison costs associated with housing an inmate” (Ministry of Justice, 2014).

This same link between social and fiscal objectives was made in a Social Finance Press Release by a representative from the Peterborough Community Safety Partnership, who spoke of the Peterborough SIB as “leading to significant public sector direct and enabled savings and a real reduction in re-offending with fewer victims of crime as a result” (Social Finance, 2014, p. 4). Social Finance provided an illustration of this view in a flow chart where “The Social Impact Bond Model” is said to involve “improved social outcomes [that] leads to cost savings” (Social Finance, 2011, p. 5).

Referring to a Social Finance publication of 2010, the Ministry of Justice report by Rand Europe explains that: “Clearly, while there are other good reasons for seeking to improve outcomes for the target group in this SIB, the SIB model is based on the premise that the interventions funded will deliver cashable savings to government within the period of the bond” (Social Finance, 2010e, p. 52)” (Rand Europe, 2011, p. 8).

“If these programmes succeed in improving social outcomes,” Rand Europe writes (2011, p. 1), “this could result in savings to government (which will not need to pay for services that otherwise would be used by individuals with poor social outcomes) and wider benefits to society.” A near identical formulation appeared in the Rand Europe team's
second report on the Peterborough SIB in 2014 (Rand Europe, 2014, p. 1). In the same
document, they write: “there were clearly potential savings from improving those
outcomes” (Rand Europe, 2011, p. 10). One of the “anticipated outcomes” was to achieve
“[f]inancial savings to taxpayers” (Rand Europe, 2011, p. 71). In another formulation, the
link between social and fiscal goals was described this way: “If outcomes do improve,
then return on investment is likely to be paid by the government departments and agencies
that have incurred savings from the improvements resulting from the provision of
services” (Rand Europe, 2014, p. 7).

This fiscal argument was uncritically repeated in media reports with the Peterborough
SIB framed as a way to save government and the public money. The BBC directly quotes
Social Finance director Emily Bolton as saying: “Investors benefit and the government
gets some cost savings” (BBC, 2010). The Economist writes: “A social impact bond (SIB)
works by using private investors to fund preventative social projects and paying those
investors back from public funds if targets are met. The theory is that successful projects
ought to translate into savings for the public purse, meaning that the SIB entails no
additional public spending” (The Economist, 2013).

‘Shared savings’ between private investors and the public
The final element of the fiscal strategy was that such savings would be ‘shared’ between
investors (as profitable returns) and public authorities. The argument is illustrated with
an image in the policy documents and promotional literature of Social Finance (Social
Finance, 2013a, p. 18).21 Depicted in Figure 1 is the “Value for Money Case for a Social
Impact Bond”. The first bar on the left-hand side depicts the “status quo” as a large sum

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21 A similar illustration is depicted in Social Finance’s brochure produced for a workshop on Social
Impact Bonds (Social Finance, 2013c).
of expenditures labelled “cost to government”. The second bar depicts this same sum “with SIB service”, now divided into four sections. The original “cost to government” under the “status quo” has been reduced by the “impact of [the] SIB” to about half its original sum, i.e. through reduced expenses in remedial and welfare services. An additional 20% of this original sum has been spent on the “cost of intervention” for the SIB (in our case, on the One Service and other expenses), raising the total government expenditure to about 70%. This is brought up to about 80% because of the government’s outcome payment of about 10% labelled “investor return”. This leaves roughly 20% as “public sector savings”. In the third bar, this amount is labelled the “savings retained by the government” as the “potential cost saving from SIB service.”

For Peterborough, the initial investment by the 17 investors was expected to produce cost savings for the Ministry of Justice from which it would repay investors.

![Diagram of Cost-Savings Argument of a SIB](image)

*Figure 1- Cost-Savings Argument of a SIB (Social Finance, 2013a, 18)*
5.3.2. Measuring leverage

Between the discursive intervention and the material practice are the mediating technologies which transform narratives into categories for measurement. The Ministry of Justice, Social Finance, and the investors decided that investors could expect a 7.5-13% return if recidivism was reduced by at least 7.5%, and that they could lose their investment, if the outcome target is not achieved.\textsuperscript{22}

Subsequent government efforts have been sought to expand non-governmental investment in the “social sector”, the market logic, and the incentivisation mechanism. According to a Big Society Capital interviewee, the state tries to “stimulate investment through economic incentives” (personal communication, Big Society Capital, 2015), by reducing investor risk and increasing their financial rewards. A central device was developed, namely, the Social Investment Tax Relief of 2014 (Nonprofit Finance Fund, 2013), offering investors a 30% deduction on the cost of investment amongst other benefits (Cabinet Office, HM Revenue & Customs, & HM Treasury, 2015).\textsuperscript{23}

Locating anticipated savings

The narrative of previous section presented the Peterborough SIB’s discourse of fiscal savings in its generality, articulating the normative goal of fiscal and shared savings through a social intervention, and the shared outcomes between the public and private investors. The project did not remain at this general level but rather specified what kinds of savings would be anticipated, and their specified sums. The Ministry of Justice

\textsuperscript{22} This represented what the G8’s Social Impact Investment Taskforce (set up under the G8’s UK Presidency) regards an investment “revolution” of a shift towards the “triple-bottom line”, where investment links not only risk and return, but also impact. This point is discussed in more detail in the section on Investment.

\textsuperscript{23} The SIB discourse involves a mixture of pragmatist argumentation that focuses on private investment to offset public funding gaps, and an affirmative argumentation that is less context specific, framing the market governance as offering a superior organisational logic to those guided by non-market ideas of public administration and social provision. This mixture and convergence of moderate and radical social neoliberal frameworks will be discussed in the chapter on hegemony.
specified a measured amount of savings it anticipated from the project, and the amounts to be shared between the public and the private investors as their return on capital.

Public savings were a central component of the justification for the Social Impact Bond. Social Finance wrote that a “[p]recondition for a successful Social Impact Bond” is that the “[c]ost of intervention is smaller than [the] public sector savings within the Social Impact Bond period” (Social Finance, 2010a, p. 52). These “cashable savings”, the Centre for Social Impact Bonds at the Cabinet Office writes, “are those savings that are reflected on a [commissioner’s] budget line” (Centre for Social Impact Bonds, n.d.), and relate to reduced fixed costs such as the cost of buildings, or in variable costs including labour or utility expenses, both of which may correspond to reductions in remedial services.

**Calculating (anticipated) cashable savings**

The Ministry of Justice specified both the source and sums of anticipated savings. In calculating the anticipated government savings, the Ministry of Justice was said to have “undertook detailed analytical work to support the value assigned to each reduced reconviction event” and furthermore, that this “business case” for the Peterborough SIB “was signed-off by HM Treasury as representing value for money for government” (Rand Europe, 2011, p. 42). Rand writes however that they “did not have sight of this as part of the research” and “so [they] are unable to comment on its content” (2011, p. 14). Despite the proclamations of transparency, my interviewee with the MoJ also refused to disclose this information nor their methodology, writing in an email correspondence that “the figure comes from the business case which for commercial reasons [they] cannot provide the further detail which underpins it” (personal communication, Ministry of Justice, 2016).
The Ministry of Justice wrote that the “savings will be made through reduced administrative costs associated with any crime, plus reduced prison costs associated with housing an inmate” (Ministry of Justice, 2014). These refer to “reductions in court, police and prison costs as a result of reduced re-offending” (ibid). Currently, these cost the Ministry large sums of money, writing that “[i]t is estimated that the cost of imprisoning a single person in the UK is £40,000 plus an extra £40,000 for each year they spend incarcerated” (Ministry of Justice, 2014).

The Ministry of Justice held enormously inflated expectations for the project, with an anticipated savings between 8.8 and 18-times the sum of the original £5 million investment. The Ministry wrote: “The anticipated savings associated with the entire scheme have been calculated at approximate £44m, although savings of £90m could be made should the scheme produce a higher than anticipated reduction of re-offending” (Ministry of Justice, 2014).

5.3.3. Producing leverage
Having now described the fiscal narrative and the technologies used to measure how private resources would be ‘leveraged’ in the Peterborough case, I now describe how these ideas were to be practiced. In practice, investment in the One Service was meant to achieve cashable savings which were to be divided (‘shared’) between the Ministry of Justice and the investors as return on the latter’s capital.

For this purpose, value determinations for reduced reconviction events were arrived at through “detailed analytical work” by the Ministry of Justice and a “considerable process of negotiation over the value of the ‘tariff’” between it, Social Finance, and the investors (Rand Europe, 2011, p. 42). HM Treasury signed off on these numbers as “representing value for the money” (ibid).
While the specific values for reduced reconvictions have not been disclosed to the public (Rand Europe, 2011, p. 40), and my own inquiries to the Ministry of Justice have not turned up information, the value of outcome payments are based on the “(undisclosed) value of each reduced reconviction event” and “the number of reduced reconviction events” in terms of “the difference in mean reconviction events between the Peterborough cohort and the comparison group” (Rand Europe, 2011, p. 40).

As mentioned above, the MoJ had enormous expectation for the project, anticipating a gross savings of between £44 and £90 million on the £5 investment. They offered a 7.5 and 13% rate of return for outcome payments, depending upon the rate of reductions, which was capped at £8 million (Ministry of Justice, 2014; Rand Europe, 2011, p. 40, 2014, p. 13; Social Finance, 2011, p. 7). This would have left the MoJ was a net savings of at least £36 million. (This figure is based on the difference between the highest possible pay-out of £8 million from the lowest estimated level of savings of £44m. If however, the initial savings are even higher, and the outcome pay-out lower, the final savings should be even greater.)

This cost savings argument is illustrated in Figure 2, where I’ve entered the figures provided by the Ministry of Justice into Social Finance’s “value-for-money” model that is provided in the section above on “shared savings”.

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Here I draw attention to the disproportional relationship between the sum of the investment and the much higher level of expected savings, which, even after outcome payments, suggests a large final savings to the government. These highly inflated expectations of fiscal savings did not prevent the cost-savings argument from occupying a key place in the justification and promotion of this policy. In the section on fiscal outcomes below, we will see how the inflated expectations led to the opposite of its intended effect, namely to public expenditure growth rather than to cost savings and fiscal consolidation.

**Identifying outcome funds**

The investor returns or “outcome payments” are to be made from a portion of the savings created by the SIB, “through [the] reallocation of budgets” (Centre for Social Impact Bonds, n.d.), when reductions in fixed and variable costs associated with reductions in reconviction events produce savings. The Ministry of Justice was expected to accrue the most savings and to reallocate them for outcome payments.
However, a clear deviation from SIB-theory meant that the returns were not to be paid strictly from MoJ savings alone, but would be subsidised by the Big Lottery Fund, who agreed to “part-fund” “outcome payments” in the case of success (Rand Europe, 2011, p. 41). This critical point will be discussed in detail in the section on ‘fiscal outcomes’ below, where I discuss the implementation of this fiscal strategy in the Peterborough case.

5.4. Economic strategy: ‘producing shared value’
This section analyses the third dimension of the Peterborough case, namely its economic strategy in the context of neoliberal crisis. As discussed in chapter 2, SIBs are understood as a response to problems of accumulation and profitability following the financial market meltdown of 2008 (Dowling & Harvie, 2014). In a global economy “awash with liquidity” (IMF), SIBs are promoted as a new investment opportunity for holders of capital and as “new drivers of economic growth” for states (Dowling & Harvie, 2014, p. 6).

Yet, additionally, this strategy promises more than investment and growth opportunities; in the face of deep economic polarization (Piketty, 2014), they promise ‘inclusive growth’, thereby responding to a moral and structural problem of contemporary capitalist development. By linking market modes of governance to notions of ‘public responsibility’, SIB appear to re-embed the market and market actors in constructive economic activities that diverge from the earlier practices of destructive neoliberalism. In the post-2008 conjuncture, where the zero-sum game has eroded public legitimacy (Montgomerie, 2015), SIBs aim to create “shared” value (Social Finance, 2010a). Business leaders promoting and investing in SIBs no longer promote Milton Friedman’s (1970) doctrine, that ‘the business of business is business’, and instead promote the idea that firms and investors should contribute substantively to social cohesion through market
activities. But they maintain the central market logic that investment in ‘social impact’
aims to expand their own sum of capital.

As described above, two aspects of the SIB’s economic dimension are of importance for
analysing this policy’s contribution to stabilising and modifying hegemony. In this
section I analyse both of these aspects in the Peterborough case. In general terms, they
can be described as the value creation element and the value sharing element. The first
aspect involves the SIB’s stated goal of wealth creation and economic growth and the
second refers to the ethical promise of creating “blended” returns with both financial and
societal benefits.

Following an analysis of the social and fiscal dimensions of the Peterborough SIB, the
economic analysis brings me to the third reason for the rapid emergence and broad
resonance of SIBs in the U.K. The analysis follows the same structure of the previous
sections, analysing first the economic discourses, narratives, and stated policy goals;
second, the technical practices of conceiving and measuring shared value and its creation;
and third, the social and institutional practices for ‘producing shared value’. The section
shows how competing strategies are negotiated and a provisional (and asymmetrical)
settlement between them is achieved.

5.4.1. Narrating ‘shared value production’
The economic strategy of the Peterborough SIB was to ‘produce shared value’. The social
impact investment market articulated two interlinked goals, namely, to spur economic
growth and open new investment opportunities based not on the trade-off between
financial returns and social benefits, but rather to create value that is shared through
products with both financial and social benefits.
Value creation

Seventeen, mainly “social” investors were attracted to the Peterborough SIB, whose search for yield led to them to advance a total sum of £5 million. “The majority of investors were charities or foundations” Rand explains (2014, p. 12), “including the Barrow Cadbury Charitable Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, The Henry Smith Charity, Johansson Family Foundation, LankellyChase Foundation, The Monument Trust, Panahpur Charitable Trust, Paul Hamlyn Foundation and the Tudor Trust (Social Finance, 2010).”

Profitability played a critical part in drawing investors to the SIB, who had the opportunity of a 7.5-13% rate of return, depending upon the level of reduced reoffending (Rand Europe, 2014, pp. 12–13). Though predominantly non-profit organisations, the investors did not give grants, but rather expected a financial return (Rand Europe, 2011, p. 26). In accordance with this expectation of financial return, charitable organisations “invested using their endowment capital rather than by giving a grant” (Rand Europe, 2011, p. ii).

However, securing such investments meant the SIB competed with other investment products. Financial returns levels were raised as charitable organisations stated that they were under the legal obligation to optimize their investments to increase capital and income (Rand Europe, 2011, p. 31). This competition presents a “barrier to investment” (Rand Europe, 2011, p. 55), as the SIB might offer “a financial return on investment that may not be as high as [the organization’s] other highest possible returns” (Rand Europe, 2011, p. 21). Rand Europe (2011, p. 31) writes: “One investor reported concerns that undertaking social investment (and accepting a blended return) may conflict with their fiduciary obligations as trustees of charities to maximise return on investment.”
This investment barrier was overcome in the Peterborough SIB by mitigating investor risk by raising their financial returns through tax relief and other techniques (Big Society Capital, 2015). Social Finance created for this purpose a “corporate feeder vehicle” (Rand Europe, 2011, p. 26 fn46) – sometimes called a “charity feeder instrument” (Rand Europe, 2011, p. 31) – allowing UK tax-exempt charities to avoid tax payment on outcome payments, by allowing them to receive returns as donations. Such risk mitigation techniques attracted investors by enabling the SIB to heighten its competitiveness against other investment products: it raised the return level of the SIB, which initially was below the organization’s most profitable investments, by adjusting its after-tax income upward by avoiding tax obligations.

Tax relief strategies were broadened in 2014 with the enactment of the Social Investment Tax Relief, aimed at providing financial incentives to investors in the impact investment market generally, who would receive a 30% reduction in tax liability on their investments (Cabinet Office et al., 2015), and through “tax relief on investment in social impact bonds” in particular (Nonprofit Finance Fund, 2013).

Not only did these changes seek to increase investor returns, they were also articulated as “part of the [economic] growth plan” centred around the social sector (Nonprofit Finance

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24 My interviewee from Big Society Capital mentioned a variety of ways of mitigating investor risk by raising their financial rewards, aside from tax relief, including “first loss” (personal communication, Big Society Capital, 2015). This is a way of shifting philanthropic or public assets to private investors in projects when they do not achieve anticipated results, and can not fulfill the payout expectations of all parties. The ethical mission of philanthropies allow them to accept smaller returns than mainstream investors. This topic will be discussed in more detail in the New York City case, where Bloomberg Philanthropies offered a 75% loan guarantee on the investment from Goldman Sachs, essentially accepting a large financial loss to lower the risk for Goldman Sach, and to keep the firm involved as an investor for future SIB projects.

25 Rand Europe (2011, p. 31) writes: “[I]n the Peterborough SIB, charities can receive outcome payments as donations by investing through a charity feeder instrument (which was set up by Social Finance in this SIB). This meant that “[i]nvestors had a choice of investing directly in the limited partnership or via a corporate feeder vehicle. The feeder vehicle was set up to enable UK charitable investors to receive any outcome payments as donations” (Rand Europe, 2011, p. 26 FN 46).
Fund, 2013), by increasing capital flows by incentivizing investment through higher financial returns.

**Value sharing**

The Peterborough SIB advanced an ethical component of the economic dimension through the idea of a harmony between the profitable interests of the investor and the objectives of social progress framed by government. For advocates of “shared value”, Social Impact Bonds project the possibility of a shift away from a zero-sum game. As the G8’s Social Impact Investment Taskforce wrote, this “new paradigm” asserts that “in many situations there is no inevitable trade-off between financial and social return” (G8 Social Impact Investment Taskforce, 2014, p. 1). According to the Harvard Business Review, new and transformed business practices that focus on “creating shared value” can break “zero-sum competition” (Porter & Kramer, 2011).

The Peterborough SIB is a specific example of how shared value can be created, the policy’s advocates argue. *Foreign Affairs* describes Social Impact Bonds as a “financial innovation” advancing a non-zero sum game, with the Peterborough project serving as an example of how “Creative Finance Helps Everyone—Not Just the Rich” (Palmer, 2015). It does so by “align[ing] the incentives of diverse market participants—in this case, governments that commission services, social organizations that provide them, and investors that supply capital”. Furthermore, they write that SIB’s “require payouts only when the programs they fund achieve results.” In other words, investor profits are based on tangible social achievements. At the core of this argument is the view that value creation is shared between the private and the public.
“In the field of social investment the mix of financial and wider social outcomes is sometimes called a ‘blended return on investment’” writes Rand Europe (2014, p. 2). It is “built on an expectation that there may be both a financial and a social return on the investment (in the form of some improvement in social, health or wider outcomes)” (Rand Europe, 2014, p. 2). With the SIB, “investors receive some financial return if [social policy] outcomes are improved” (Rand Europe, 2014, p. 8, 2015, p. 10).

This idea was articulated by Social Finance, the inventor of the SIB, in the title of one of its earliest documents on SIB: “Towards a new social economy. Blended value creation through social impact bonds” (Social Finance, 2010a). In it, they argue that "[i]nvestment in Social Impact Bonds by commercial investors, trusts and foundations, and High Net Worth Individuals offers an opportunity to generate a blended (social and financial) return on investment. The social and financial imperatives are aligned – investors receive greater financial returns as the social return improves” (Social Finance, 2010a, p. 7).

The Cabinet Office and Ministry of Civil Society emphasise that this market has already been in motion for some time, writing that “[t]here is a growing social investment market which is prepared to blend financial return with social impact” (Cabinet Office et al., 2011, p. 5). Demand for investment products is a push factor for the market’s growth. In April 2010, the government's Social Investment Taskforce stressed that there was concrete demand among investors for social investment products in particular. They wrote: “our view [is] that the market is ready for the SIB (…) [T]here is demand from investors for a range of investments blending social and financial returns” (Social Investment Taskforce, 2010, p. 17). Social Finance confirmed this push factor, saying in an interview that “there are people looking for financial investments that have social value to them” (personal communication, Social Finance, 2015).
5.4.2. Measuring ‘shared value’: a social policy derivative
As explained in chapter 2, SIBs seek to operationalize “shared value” through a social policy derivative. This entails the commodification of social policy performance whereby investors in the Peterborough SIB own “exposure” (and risk) to the outcomes of an intervention, but do not own the service organisations themselves. As Bryan and Rafferty explain, this is fundamentally different model of ownership that those where the firm owns “the ‘underlying’ physical assets” (Bryan & Rafferty, 2014, p. 891). In other models of public sector privatization, firms purchase and/or operate organisations and receive incomes based on government payment (either based on fee-for-service or outcome-based contracts such as “payment by results”).

In Peterborough, Bryan and Rafferty write, “we see the playing out of a derivative logic within the state in which private organizations are trading exposures to the performance of (and funding from) the state but without ownership of the ‘underlying’ state institutions, policies or practices” (Bryan & Rafferty, 2014, p. 897). The derivative’s potential for a pay out, based on the likelihood of social impact, and judged against its risk of failure, is what attracts investors. The state’s anticipation of achieving a greater savings from the intervention that which it will pay investors, is a central component defining it as having a shared value.

Sources of value and outcome payments
As described above, the source of value of these projects are the anticipated efficiency gains resulting from successful interventions that turn “government waste”\(^\text{26}\) into surplus, which would be translated into “cashable savings” and shifted to investors as their

\(^{26}\) In SIB discussions, remedial services are often framed as a “waste of public funds” (The Guardian, 2010c), and the “cycle of reoffending” involving “wasted lives” (Cabinet Office & Hurd, Nick, 2011).
realized profit. But the SIB had to calculate how it would divide value between the public and the private investors. According to Rand (2011, p. 42), “the Ministry of Justice undertook detailed analytical work to support the value assigned to each reduced reconviction event”. This was based on existing data about the costs “incurred at different stages of the criminal justice system” and “took into account the broader societal benefits of reduced reoffending” (ibid).

5.4.3. Producing ‘shared value’
Although outcome payments are supposed to be paid from savings accruing to the Ministry of Justice for reduced remedial expenditures, the MoJ had its outcome payments subsidised by the BIG Lottery Fund. An interviewee at the Centre for Social Impact Bonds at the Cabinet Office said that the breakdown “might be £5 million from BIG and £3 million from the Ministry of Justice” (personal communication, Centre for Social Impact Bonds, 2015).

5.5. Contradictory outcomes of the Peterborough SIB
This chapter has described the strategy of the Peterborough SIB in the context of neoliberal crisis. This focused on the policy’s intervention into three policy objects, namely social, fiscal, and economic crisis. It described efforts to reshape these objects through three modes of steering, namely discourse, knowledging technologies, and social practices. It has also described the case not in terms of a singular logic of management, but has rather identified the conflicts internal to the process, between competing perspectives and hegemony projects. It has sought to show that the SIB is an encounter between two competing restructuring projects. On the one side, there are market-centric conceptions of policy, advancing individualist conceptions of social problems, fiscal constraint, and private investment schemes. But I have argued, based on idea of policy as
a ‘strategic terrain’, that SIBs also contain market-constraining impulses within them, albeit in more diffuse ways. These are present in discursive fragments which represent incarceration as caused by socio-economic factors. Progressive perspectives are also seen in the idea of escaping an austerity scarcity logic, and seeking to solve public fiscal deficits through access to private capital surpluses. They too are seen in the effort to link economic with socially-beneficial practices.

But I have also shown how structural selectivities act to rework these diverging ideas, and in a process of ‘complexity reduction’, create a passive consensus and provisional compromises favouring neoliberal governing practices. Hence, the ‘progressive neoliberal’ compromises are asymmetrical and produce uneven outcomes, as I describe below. The incorporation of progressive actors into such arrangements is a reflection of their weak status in the overall balance of social forces and the specific political context. They are able to achieve certain immediate material concessions, but their capacity, through strategic action, to achieve larger goals is strongly limited. This concluding section describes these dynamics in detail.

Designed as a 7-year project to be completed in 2017, the Peterborough SIB was prematurely terminated by the Ministry of Justice in 2015 due to the rolling out of a country-wide probation scheme covering all short-sentenced offenders (personal communication, One Service, 2014; Rand Europe, 2015, p. 1). “Transforming Rehabilitation” (TR) eliminated the control group required for comparing recidivism levels between Peterborough with groups not receiving probationary support. As a result, project results would be assessed for only the first 2, rather than all 3 cohorts. In July 2017, Social Finance (2017) announced that the Peterborough project had reduced reoffending by 9% exceeding their 7.5%. This was based on ‘reconviction events’ for
2,000 persons after a 12-month period of release from Peterborough Prison (ibid). In a press release drafted for the Ministry of Justice and Social Finance (2017), they announced that the “World’s 1st Social Impact Bond [was] shown to cut reoffending and to make impact investors a return”. As discussed below, investors would receive “a single payment representing their initial capital plus an amount that will represent a return of just over 3% per annum for the period of investment” (ibid).

The Peterborough SIB’s early phase out did not signal a change of policy trajectory away from SIBs, but rather its geographical shift and entry into other policy areas, including health, employment, homelessness, education and other areas. Since the introduction of the world’s first SIB in Peterborough, over 100 projects now exist across the globe, with most of them concentrated in the U.K. and U.S. (Pioneers Post, 2018).

5.5.1. Social Outcomes: Decarceration through efficient poverty management

In an earlier section I analysed the social dimension of the Peterborough SIB, discussing its selection of a decarceration goal, its contracting of services to non-governmental organisations, and its strategy of poverty management. This involved an effort to reduce recidivism through the rationalization of social sector provisioning, focusing on lowering offending risk through temporary and limited support and improving individual coping strategies to better deal with the psychological and social pressures of poverty, and resettling persons by attaching them to the institutions of workfare.

Such practices did make a difference in the numbers of ‘reconviction events’, with a 9% reduction, but this tells us little about its ‘social impact’. This is because, as common to workfare programmes, they focused mainly on people “already nearest the front of the employment queue” (Peck, 2001, p. 347), through application support and training (as
discussed in the case studies), who were “the most job-ready”, and offering busying activities to those requiring the most support. The projects sought to avoid ‘creaming’, but their institutional logics and the fiscal pressures of reducing expenditures in order to create savings and profitable returns have just this effect, determining the policy targets, and avoiding socio-economic causes of incarceration.

In fact, despite repeated observations of the socio-economic sources of incarceration – e.g. repeated references to the £46 an average person holds upon release from prison – this problem was not the focus of sustained concern. Research shows that employment growth is rather correlated to economic trends than to welfare-to-work schemes (Peck, 2001, p. 344). The attempt by the project manager to purchase housing to address unmet accommodation needs (see above discussion) reflects an attempt to address such material causes of incarceration, in contradiction to the framework of individualist solutions defining the main contours of the SIB.

The discursive framing of incarceration appeared to be central in the construction of individualist approaches at the expense of addressing structural causes. We can see the SIBs’ intervention into the social policy object then, as part of a broader political shift. Just as workfare programmes “pulled the debate into the field of program implementation and away from issues of political principle” (Peck, 2001, pp. 92–93), so too did the techno-managerial approach to ‘community resettlement’ shift the political terrain for debates around the causes of incarceration and possibilities of decarceration.

The focus on ‘needs’ was not part of a project of poverty alleviation or of expanding social protection, but instead of clogging the holes in a porous boundary that allowed people struggling to reproduce themselves (materially, socially, and psychologically) in
an economically precarious situation from falling through the cracks into repeated
criminal infractions.

5.5.2. Fiscal outcomes: expanding public expenditures
As explained above, the Peterborough case articulates a central SIB promise, to address
the fiscal crisis by “leveraging private capital” and offset funding gaps resulting from
austerity measures by central government to the Ministry of Justice and Peterborough’s
budget. By funding ‘prevention’, it hoped to both fill funding gaps and generate large
savings through reduced remedial expenditures. The associated drop in administrative
costs should be captured in public fiscal savings. A portion of this value is shared with
private investors, creating a win-win situation for the public and private actors involved.
Yet, the fiscal strategy of the Peterborough SIB completely failed. While the MoJ
anticipated savings up to £90 million, an evaluation by Rand (2011, p. 8) in 2011
projecting the project to fail to achieve any public savings has not been contradicted by
subsequent evaluations. The failure to achieve savings means that investor returns were
paid from additional expenditure, contradicting the very fiscal justification for the project.
The failure to create cashable savings is said to be due to the project’s small scale, with
reduction levels not being significant enough to enable reductions in fixed or variable
expenses, and hence preventing budgetary changes. While the SIB reduced prison re-
entries, these were not significant enough to close down a wing of a prison, but allowed
them instead to reduce over-crowding (Rand Europe, 2016).
It was in fact the SIB mechanism which enabled, in this political context, commissioners to temporarily expand services to a group of offenders who had previously lacked statutory support. This immediate possibility was a source of attraction for service providers and government alike. But the contractual requirement to repay investors independently of accumulated savings left became a public liability. The strategy of “harnessing private capital for public good” was inverted. Government busily conjured up public funds to subsidise investor returns. Alongside the MoJ’s £3 million outcome payment, the Big Lottery Fund contributed £5 to investor outcome payments from public money. Hence, the short-term benefit to commissioners became a long-term disadvantage as government paid more for the programme through the SIB as they could have paid without it. Instead of the SIB filling a public funding gap, government is now “fill[ing] the funding gap for UK social impact bonds” (Pioneers Post 2012), that is to say, for investor returns.

Figure 3: Likely Fiscal Outcome of the Peterborough SIB: Expenditure Growth (Figures from Ministry of Justice (2014) and Rand (2011)).
5.5.3. Economic outcomes: accumulation by dispossession
Whereas SIBs are framed, according to the economic dimension, as an investment product that creates a harmony between private investor interests and those of the public interest, we see in the Peterborough SIB instead, an asymmetrical compromise where public assets are shifted into private hands without an equivalent financial benefit for tax payers. The payment of investor returns out of new public expenditure growth rather than from a portion of new savings (as described above), reveals this investment strategy to be what Harvey (2005, p. 160) calls “accumulation by dispossession”. This involves “the transfer of assets from the public and popular realms to the private and class-privileged domains” (Harvey, 2005, pp. 160–161). In the SIB we see how a new investment mechanism built around a zero-sum game, where investors’ accumulation problems are addressed at the public’s expense. (see also Dowling, 2016)

This process can be observed when looking at the source of outcome fund capital. Here we see that investor returns are being paid by mostly low and middle-income sections of the population, either through public tax money to the Ministry of Justice, or through ticket sales by the Big Lottery Fund. This source has a clear socioeconomic component that is relevant to the question of whether the public benefits from the policy or not, and reveals the upward distribution of wealth. As studies show, the disproportionate consumption of lottery tickets by lower socio-economic groups (Beckert & Lutter, 2013) means that BIG shifted wealth from lower income groups to financial investors through the SIB. Rather than creating ‘shared value’, the case distributed wealth upwards.

5.6. Conclusion
I have conceived the SIB at the intersection of three policy developments, relating to social, fiscal, and economic policy. The first regards social regulation, and the expansion
of ‘preventative’ services to address the social crisis caused by economic recession and welfare retrenchment. I’ve framed this as a form of poverty management rather than alleviation, which provides intentionally short-term and limited support, to prevent people in precarious socioeconomic situations from being “forced to re-offend” in order to reproduce their livelihoods. While this decarceration goal appears as a corrective to established patterns of ‘prisonfare’, and achieved a 9% reduction in reoffending, its limited roll-out of ‘workfare’ programmes in civil society does not address socioeconomic causes of incarceration but seeks instead to absorb ex-offenders in the labour market as a way of lowering the risks of reoffending.

The SIB’s fiscal strategy also reflects a broader political effort to address public sector funding gaps caused by austerity, and the increasing need for public assistance. This involves the effort to incentivise private investment to fill public funding gaps, aimed at financing necessary services, thought to create ‘shared savings’ for public authorities, which can be shared with private investors as return. While this strategy appears as a corrective to a strict policy of fiscal consolidation, it failed to meet the inflated efficiency expectations and did not achieve the anticipated savings, resulting in the opposite of its stated goal, to expand public expenditure rather than to conserve it.

In terms of its economic goals of “creating shared value,” the project sought to overcome zero-sum game and creating “blended social and fiscal returns” by aligning investor and societal interests. This discourse also resonates because it appears to be a needed corrective to both the economic slump and the destructiveness of many aspects of neoliberal accumulation, particularly in the aftermath of the foreclosure wave, the financial meltdown, and the loss of jobs, personal savings, and pensions. However, I have shown the rather asymmetrical character of the compromise between investors and the
public, where the former profits from the shifting of public assets into private hands in a form of “accumulation by dispossession.”

In conclusion, the Peterborough SIB appears to have only fulfilled one of its three promises, achieving (short term) social impact by improving personal coping strategies and poverty management through workfare. In contrast, it failed to achieve its fiscal and economic objectives, of reducing public expenditure or creating shared value. Despite these mixed outcomes, SIBs have managed to “fail forward” (Peck, 2012b, p. 6), in a situation where “their “manifest inadequacies animate further rounds of neoliberal innovation.” Since the introduction of the world’s first SIB in Peterborough, the number of SIBs have now surpassed 100 across the globe (Pioneers Post, 2018).

In chapter 7 I provide an explanation for why SIBs fail forward, based on a case comparison of both SIBs. In that chapter, the thesis centres on a theory of hegemony, in which I argue that we have to take seriously the ‘positive’ elements of SIBs in a given context as source of attraction among progressive actors in a context where they have limited opportunities, despite SIBs’ shortcomings. There, the resonance of SIBs is explained in terms of a blocked post-neoliberal transformation, and the partial incorporation of alternatives, integrated in a passive revolutionary process, which provides certain concessions to progressive actors. The result is the simultaneity of forward motion and standstill, where endless ‘innovation’ occurs without significant change or development – the situation of a persistent, blocked transformation.
Chapter 6 – Case 2: The New York City Social Impact Bond

This chapter presents the New York City Social Impact Bond through a cultural political economy perspective concerned with the way this policy development addresses specific problems encountered by neoliberal governance practices since the financial meltdown of 2008.

The analysis is aimed at providing a rich understanding of the emerging impact investment market, and the crisis governance strategy it signifies. I pursue this objective by illuminating the policy’s stated goals, claims, and narratives; its methods or social-institutional practices to achieve these objectives; and the ultimate outcomes of the project. The presentation is organised around three general categories, discussed in chapter 2, which although overlapping, provide helpful categories for clarifying certain aspects of the project. These three aspects pertain to social, fiscal, and economic issues, and correspond to claims made by the New York City project itself in each of these fields.

The chapter is structured in the following way. First, I reconstruct the official account of the New York City Social Impact Bond, relying on official policy documents by the main actors. This provides a simple description of the expressed goals of the project, and the policy mechanism, which is supposed to fulfil these objectives. In section 2, 3, and 4, I describe the selection and negotiation over the three central objects of steering by representing the social, fiscal, and economic dimensions of the project. Each section describes the discursive intervention, the knowing technologies (which regularise particular interpretations of social processes, and supporting specific forms of action) and, the social practices aimed at producing the intended effects. Section 5 turns to the outcomes of the project, focusing on the fulfilment or not of ‘social impact’, ‘fiscal
leverage’, and ‘shared value’. Finally, I evaluate the post-project assessment, and the outlook for SIBs in the future through my analytical framework.

6.1. The dominant narrative of the New York City social impact bond
The New York City Social Impact Bond was officially announced on August 2, 2012 in a joint press release by the City’s Mayor’s Office and the Department of Correction as the “nation’s first Social Impact Bond programme” (The City of New York Office of the Mayor, 2012). This “public-private partnership” was described as a “New Privately Funded Program to Reduce Reincarceration”, and involved a capital investment from Goldman Sachs to local service providers to work with adolescents detained in the city’s notorious Rikers Island jail to lower rates of readmission. Goldman would fund the Adolescent Behavioral Learning Experience (ABLE), a group therapy programme, which would be administered to detainees by two local non-profit service organisations, The Osborne Association and Friends of Island Academy. If the multi-year programme reduced readmissions by more than 10%, the city expected to achieve budgetary savings, a portion of which would be used by the Department of Correction to repay Goldman its investment plus interest. If the project failed to reduce recidivism, the city would not repay the investor, and Goldman would lose its investment, hence involving “no cost to taxpayers” (The City of New York Office of the Mayor, 2012).

The project was articulated as collaborative arrangement between state, private, and civil society actors with mutual benefits for all involved. First, it sought to address specific social problems in the city. It was part of a broader effort of the Mayor, and part of his Young Men’s Initiative, described as a multi-departmental undertaking “to tackle the broad disparities slowing the advancement of black and Latino young men” through “educational, employment, and mentoring opportunities” (The City of New York Office...
of the Mayor, 2012). Similar to the U.K.’s first SIB in Peterborough, the NYC project was located in the policy area of criminal justice, with the expressed goal of decarceration, to be achieved through community re-settlement for a population group negatively affected by socio-economic problems. With these goals, the SIB was said to help make social provisioning more effective, with methods that focus on individual change, or in the words of the press release, “focuses on personal responsibility education, training and counselling, with the goal of reducing the likelihood of reincarceration” (The City of New York Office of the Mayor, 2012).

The SIB was expected also to address fiscal concerns arising out of the pressures to support social programmes, by offering a solution to the contradiction between growing social needs and shrinking public resources. The reliance on private investment and an outcome-based pay-out scheme, the project promises to expand new programmes with “no cost to taxpayers” (The City of New York Office of the Mayor, 2012). It does so by “leverag[ing] upfront funding from the private sector”, or “harness[ing] private sector financing for important public initiatives”, which is to be paid back only in the case of cost-reducing effective social interventions (The City of New York Office of the Mayor, 2012).

Additionally, the project offered a chance for private firms – in this case Goldman Sachs – to contribute to the well-being of New York City residents through a “Privately Funded Program to Reduce Reincarceration” (The City of New York Office of the Mayor, 2012). The company would only profit from it if a measurable “social impact” were achieved, and it would risk losing its capital if the programme fails to affect the status quo.

27 On the Young Men’s Initiative, see: http://www1.nyc.gov/site/ymi/about/about.page (Young Men’s Initiative NYC, n.d.).
While the above section provided the basic overview of the New York City project, I now describe the institutional arrangements that were put in place with the intention of operationalising the interlinking objectives.

First, the Mayor’s Office identified a specific social crisis, namely the high rate of reincarceration among young men of colour in the city. Selected was the specific social policy goal of reducing this high rate of recidivism to the city’s notorious Rikers Island Jail. “Currently”, the press release states, “nearly 50% of adolescents who leave the New York City Department of Correction return within one year” (The City of New York Office of the Mayor, 2012). The policy goal is “to reduce the likelihood of reincarceration”, and to “help more young men stay in school, find and keep a job and decrease their likelihood of future criminal behaviour” (The City of New York Office of the Mayor, 2012).

The method to achieve this objective was the deployment of group therapy to change the attitudes of youth detained at Rikers Island. The particular programme deployed would be the “Adolescent Behavioral Learning Experience” (ABLE), which “focuses on personal responsibility education, training and counselling, with the goal of reducing the likelihood of reincarceration” (The City of New York Office of the Mayor, 2012). This programme would be “incorporated into the regular school day and be offered as a one-hour class throughout the week and during school breaks” (The City of New York Office of the Mayor, 2012). It would be administered by two local non-governmental organisations with experience in the field of criminal justice and offender support who were contracted by the City. The Osborne Association (Osborne) and Friends of Island Academy (Friends) would “deliver the intervention through trained facilitators working
with the East River Academy School on Rikers Island” (The City of New York Office of the Mayor, 2012).

Funding for the intervention for up to four years would come from a private investment by Goldman Sachs in the amount of $9.6 million. Responsibility for overseeing and monitoring the intervention was contracted by the City to MDRC, an established policy think tank in New York City (The City of New York Office of the Mayor, 2012). The evaluation of the ABLE programme to reduce readmission levels was contracted to the Vera Institute of Justice, a non-governmental organisation advocating criminal justice reform, to “assess the rates of reincarceration and determine the program’s effectiveness over time” (The City of New York Office of the Mayor, 2012).

The public-private-partnership was arranged in such a way that an effective reduction in recidivism would create budgetary savings for the Department of Correction, from which it could repay the investor (with interest), while still retaining a financial saving for the public. As previously commented, this threshold was determined to be 10% reduction (MDRC, 2013a, p. 12). At this level, the DOC could expect to shrink its operational budget for the Rikers Island facility (described below in the Fiscal Strategy section), and share the savings between the private investor and the public.

The City determined that it “would need to see at least a 10 percent average reduction in future jail time. If the program did not reduce recidivism by at least 10 percent, it would not be worth the investment” (MDRC, 2013a, p. 12). The press release states that, “[f]or Goldman Sachs to break even on its original investment, the program will need to reduce reincarceration by 10%. Similarly, the City’s payments are based on the success of the program and how much the program reduces reincarceration rates” (The City of New York Office of the Mayor, 2012).
If the project fails to hit the 10% threshold, however, the DoC would not repay Goldman. “If the program does not meet its targets for reducing reincarceration”, the press release states, “the City pays nothing” (The City of New York Office of the Mayor, 2012). This is how the state tries to “leverage private capital for public good”, by shifting financial risk for social policy experiments from the public to the private sector.

However, Goldman refused to accept the full risk and mitigating measures were taken by third party actors. The mayor’s organisation, Bloomberg Philanthropies, drastically lowered Goldman’s potential financial loss by three quarters, providing a loan guarantee in the amount of $7.2 million, to be given to Goldman Sachs in the case of a failed social outcome. (In the case of a successful project, these funds will be used by MDRC for future SIB or Pay-for-Success projects).

This presentation provides a basic understanding of the policy design, or the mechanics, of the New York City Social Impact Bond. Before going into more detail about the actual practice of the policy experiment, I first set the SIB in my broader theoretical framework, against which the policy is ultimately assessed. Namely, based on my understanding of policies as elements of restructuring processes, or efforts to bring them about, I consider how the NYC SIB articulates an approach to the social crisis, the fiscal crisis of the state, and economic and investment problems that have arisen since the financial collapse of 2008. For the remaining part of this chapter, my analysis will be organised around three interlinked dimensions: social, fiscal, and economic. It will focus on how the SIB is (re)organising both discursive and material practices, and with which outcomes.

6.2. Governing the social crisis – The NYC SIB’s decarceration strategy
In this section, I analyse the ‘social’ dimension of the NYC case, describing the effort to frame a ‘positive’ response to the social crisis. This is discussed as alternative, on the one
side, to neoliberal governance of laissez faire attitudes towards social polarisation, or towards its mode of repressive control, and on the other side, to redistributive or ameliorative forms of social protection and the promotion of social equality associated with market-constraining alternatives. I describe how the NYC case seeks to chart a middle route, a ‘third way’, or compromise between the above positions, and can be described as part of the effort to advance what I’ve called an ‘ethical capitalism’. In essence, this analysis describes the struggle between competing hegemony projects in the crisis conjuncture. This involves the articulation of a specific social crisis discourse, aiming to respond to increasing pressures from social crises and emerging alternatives, and to achieve a new consensus. It encompasses too, efforts to translate this discourse into knowledging and governing technologies (as described in the previous chapter). And it includes the development of certain forms of collective action with the aim of addressing identified social crises, as means towards a certain solution.

Respectively, this section has three parts: First, I describe the ‘social impact’ discourse, including the narration of incarceration and its causes, as well as the projection of an imaginary solution. Next, I explain the knowledging technologies for measuring ‘impact’, describing how the discursive objects are translated into categories for measurement and steering of social life. Finally, I move further into the material field by describing the production of ‘social impact’ through the advancement of certain social practices to operationalise the goal of decarceration.

6.2.1. Narrating the social crisis: the ‘social impact’ discourse of decarceration

As described in chapter 2, Fairclough defines a discourse as the selection of parts of the world for representation from a particular perspective, and their re-contextualisation in
broader systems of meaning, which contributes to the legitimation of specific forms of collective action (2003, p. 121). This section describes the articulation of a ‘social impact’ discourse in the NYC case, involving the selection of the social crisis of mass incarceration, its representation (including its causes and imagined solutions), and its re-contextualisation in broader systems of meaning, to legitimise specific forms of collective action. As Sum (2012, p. 3) and Fairclough (2003: 31-32) explain, this involves reconstructing the discursive chains that cut across different sites and scales, between diverse actors, seeks to build consensus despite conflict and contestation, in order to stabilises a certain common sense or world view, supportive normative collective action.

The articulation of “ethical capitalism” described earlier ‘problematises’ (Foucault) parts of neoliberalism – its failure to address social polarisation, exclusion, and depravity in the form of mass incarceration – and articulates parts of an alternative to a repressive mode of governance, based ameliorative alternatives to punitive containment. It does so by combining market-centric ideas with those of progressive imaginaries through the contested process of discursive formation.

**Re-politicising the social crisis**

Fraser et al (2016) show that social crisis is a central object of discursive intervention for social impact bonds, pointing to “frequent articulat[ions]” in the grey literature presenting SIBs as a way to “prevent or ameliorate complex social problems”. My analysis of media outputs shows that this narrative is echoed in the popular literature, with little modification. SIBs are described as holding the potential to “solve society’s most intractable problems” (The Guardian, 2010a), to “save society” (The Independent, 2011), or even to “save the world” (Bank, 2012).
These texts select a ‘part of the world’, namely social crises, and, re-present them as unresolved problems, they (re) politicise (or ‘problematise’) them, calling for changes in existing forms of social action to address them. This is also true for the NYC case, which selected social crises as one of three central objects of intervention, justifying specific forms of collective action (described below). This section deals with this phenomenon, by analysing how the NYC SIB politicizes the issue of mass incarceration and adolescent reoffending in particular, and articulates specific representations of these social realities from a particular perspective.

New York City’s mayor Michael Bloomberg was a central actor in the city’s SIB at Rikers Island. Against the background of economic recession, social polarisation, and the combination of laissez faire attitudes with repressive measures, his attitude on social crises and the need for political action are important. Two days before the protest action by New York City residents in September 2011 to “occupy Wall Street” – igniting the U.S. version of social protest against neoliberal inequalities which had begun in Tunisia and Egypt, and stretched to Greece, Spain, and other European countries – the Mayor warned of ‘riots’ in the metropolis if unemployment levels were not lowered and social polarisation addressed. “You have a lot of kids graduating college can’t find jobs,” The New York Times reported (2011) Mayor Bloomberg saying. Citing Cairo and Madrid, the mayor exclaimed: “You don’t want those kinds of riots here.”

While the 2011 assemblies of the squares in Spain and the Egyptian plaza occupations were peaceful demonstrations, Bloomberg’s statements made implicit references to the London riots, which were still occurring when his comments were made. The statement combined a recognition of growing social tensions resulting from social depravity and economic recession, legitimacy problems resulting from the lack of political action, and
an effort to prevent alternative political forces, or at least alternative interpretive frameworks from arising, which might call for more sweeping changes and ameliorative action. This statement, made during the SIB project, expresses the attempt at a controlled re-politicisation of the social crisis, supporting limited and symbolic forms of ‘intervention’, symbolising modernisation attempts, which simultaneously sought to control the boundaries to prevent re-politicisation from spilling over and supporting competing political imaginaries and alternatives.

The mayor’s perspective was reflected in his support for the NYC SIB as well. The Mayor’s Office of New York City, his personal foundation Bloomberg Philanthropies, and the global investment bank Goldman Sachs, all deplored the social crisis in the city, and targeted the high levels of incarceration at the notorious Rikers Island jail in particular. With press statement, policy documents, and media reports, they framed this social crisis, presenting their imagined solutions in public forums, and presented the SIB as a particularly advantageous solution to advance “social change.”

In a joint Press Release on August 2, 2010, the Mayor’s Office and the Department of Correction, they “announced [the] nation’s first Social Impact Bond program”, which claimed to “[t]ackle the most entrenched problems” (The City of New York Office of the Mayor, 2012), a narrative chain followed up later in an interim report of the city’s ‘innovative’ way of “solving social problems” (The City of New York Office of the Mayor 2013). Amidst deep social contradictions, the projects would “achieve positive social outcomes” (The City of New York Office of the Mayor 2013).

Goldman Sachs promoted the project in a similar way, framing the SIB as a way to “address pressing social issues” (Goldman Sachs, Olson, and Phillips 2013, 97) and “achiev[e] social outcomes” (Goldman Sachs, Olson, and Phillips 2013, 98). Bloomberg
Philanthropies described the SIB as a way to “unlock a new source of capital for social change” (Bloomberg Philanthropies 2015). In an interview with the organization, an interviewee described it, like the Mayor, as seeking “positive social outcomes for people and for cities” (personal communication, Bloomberg Philanthropies, 2015).

The non-governmental organisation, MDRC, tasked as ‘project manager’ described the SIB in a detailed report as creating “social benefits for participants, families, and local communities” (MDRC 2013), and the organisation’s president framed the project around the issue of “social problems” (MDRC 2014).

These messages were transmitted through media outlets in an uncritical way, with the New York Times echoing the industry’s claim, that SIBs “ease social problems” and achieve “social good”, and presenting the impact investment market as a way to “tackle social problems” and “produce measurable benefits to society” (New York Times, 2012b). The editorial board of the Los Angeles Times characterizes SIBs as a “new way to attack social problems” (LA Times, 2014). The Huffington Post published an article by Goldman Sachs and Bloomberg Philanthropies describing the SIB as “producing positive results” and the NYC case as “help[ing] young people in need” (Bloomberg Philanthropies & Goldman Sachs, 2015).

An interviewee from the Nonprofit Finance Fund emphasised that the discussion around pay-for-success (or SIBs) “needs to be, as much as possible, about (...) improving conditions and chances in whatever target community of population” (personal communication, Nonprofit Finance Fund, 2015). Vera framed the SIB as being about “improv[ing] people’s lives” or “well-being” (Vera Institute of Justice, 2015a). In McKinsey’s promotional brochure which they advocate to “bring Social Impact Bonds to the U.S.”, the think tank writes that SIBs are about life improvement (McKinsey &
Company, 2012, p. 15). They write: “Constituents are the heart of a SIB’s work. They are the people who will directly benefit from the social interventions funded and scaled through a SIB. They might include chronically homeless or incarcerated individuals” (McKinsey & Company, 2012, p. 15).

Not only does this passage show how SIBs are framed, by some actors and in certain contexts, first and foremost, as a response to the social crisis, it also provides clues as to how such social change is perceived in these projects, namely as an outside intervention by specialised, external forces into a population or population group of the downtrodden, an act of modification from the outside. The role and perspective on social change is hardly questioned among SIB advocates, shown, for example, in the unqualified statement by MDRC that “[f]oundations spend grant dollars to improve the human condition” (MDRC, 2016b, p. 21).

According to Third Sector Capital Partners (Von Glahn & Whistler, 2013, p. 58), social impact bonds are about “improving the lives of young individuals”, while for MDRC they “improv[e] the lives of individuals” (MDRC, 2013a, p. ix), “of young men” (2013a, p. 45), or “of disadvantaged young people” (2013a, p. 45).

Yet, the framing of SIBs as an innovative response to the social crisis was supported by actors beyond the direct participants in the project and the network of think tanks supporting impact investment projects. Even by those holding somewhat critical perspectives of marketization helped frame SIBs in this positive light. In a 2014 article (The Seattle Times, 2014), a contributor writes that, despite his initial “creepy” feelings about SIBs, particularly around the “notion of inviting venture capitalists into the state human services system”, the market-centred policy, the author argues, represents a discontinuation of the “race-to-the-bottom practices” of the “private prison industry.” By
incentivising private actors to achieve profit through the fulfilment of social policy targets, the article claims, Social Impact Bonds “might get bankers to pay to reduce prison recidivism”, and supports the passing of the Washington State Bill HB 2337 (The Seattle Times, 2014), a bill to establish a “Washington Social Investment Steering Committee” for the introduction of “at least one pilot that uses social impact bonds or other public-private financing for social or health care services” in 2016 (House Committee On Early Learning & Human Services, n.d.).

Media contributions such as these, which contribute to a SIB discourse as a solution to social crises, were joined by left-leaning authorities as well, such as the Roosevelt Institute. The think tank promotes the market-centric SIB as a policy instrument for social good through multiple texts on its online platform. Social Impact Bonds are framed as a tool of a progressive repertoire, writing, they are “instruments to get at entrenched social problems” (Keohane, 2013, p. 1), and they can “Help Achieve Progressive Goals in an Era of Austerity” (Bosserman, 2011), and are recommend by the Institute’s Campus Network Budget for a Millennial America, as a “resource” in “rebuiding the social safety net” which “draw on the capacity of the private sector to provide needed public goods” (Roosevelt Institute, 2011).

Problematising prisonfare and (re)incarceration

Like in Peterborough, mass incarceration was the construed social crisis towards which the NYC SIB was directed. MDRC wrote:

At the inception of the Rikers Island SIB, some 3,000 16- to 18-year-old, mostly low-income adolescents of colour were spending anywhere from a few days to as

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28 The author articulates a standard third-way position, in his opinion article in the same paper on upcoming city elections, he urges “smart, progressive, business-friendly candidates to step in to” the race (Martin 2016).
much as a year in jail awaiting trial, and nearly one in two returned to jail on a
new charge within a year of being released. For the young people themselves and
for society at large, this downward spiral was tragic and costly. (MDRC, 2016b,
p. 3)

In response, the NYC SIB aimed to “break the cycle of reincarceration” (Vera Institute
of Justice, 2015b). Against the background of decades of incarceration growth, the NYC
SIB appears, like the Peterborough case, as a change of course, as a corrective to the
“punitive containment as a government technique” and rationality “for managing
deepening urban marginality” (Wacquant, 2010, p. 204).

Here, the SIB drew and built upon a shift in common sense away from prisonfare and the
punitive management of poverty, and towards the search for alternatives to incarceration.
According to the New York Times, the idea of decarceration has increasingly resonated
with the public, with “polls consistently show[ing] that Americans are now more
interested in spending money on education and health care than on building more
prisons”, this corresponding to downward growth trends in the prison population (The
New York Times, 2013b). The shift in common sense has strengthened the search for
alternatives to incarceration.

This sentiment was also articulated by my Interviewee from Vera, who argued that there
is an “increasing awareness that something needs to be done to reduce the incarcerated
population” (personal communication, Vera Institute of Justice, 2015a) The Economist
reflected, articulated, and contributed to this shift in popular consciousness in an article
whose title reworked the phrase of mass incarceration “lock ‘em up and throw away the
“key”, with a decarceration message: “Let ‘em out and throw away the key” (The Economist, 2010).

The social policy goal of the NYC SIB was framed as part of this shift, for example, as an effort to “reduce the reincarceration rate” (The City of New York Office of the Mayor, Bloomberg Philanthropies, Goldman Sachs, & MDRC, 2012), as a project that “could close jails” (The New York Times 2012), shrink prison sizes, and scale-back human warehousing.

As I highlighted earlier, reincarceration rates among people previously in detention was highlighted as a specific and unnecessary problem. In the mayor office’s presentation, “Bringing Social Impact Bonds to New York City”, the city leaders highlighted again that “[n]early 50% of 16- to 18-year-olds who leave Rikers return within one year” (Bloomberg, Michael & Gibbs, Linda, n.d.). And this line was repeated in the post-project co-written op-ed by Bloomberg Philanthropies and Goldman Sachs (2015). An interviewee from MDRC extended the point, emphasising that 50% extends to 70% with a 3-year time span after release (MDRC, 2015a). The incarceration crisis was echoed in media reports on the SIB (New York Times, 2012a), and Reuters writing: “Goldman will create one of the nation's first ‘social service bonds’ [sic] to help fund a New York City program that aims to lower the 50% recidivism rate among youthful offenders jailed at the Rikers Island correctional facility” (2012).

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29 The article focused on criminal justice reforms in the UK discussing the Peterborough SIB in particular, but the international readership of the magazine reflects a changing US mood as well, as mentioned in the NYT article cited above, and the magazine has written often about SIBs in the US and the Rikers Island project in particular.
Identifying causes of (re)incarceration – construing solutions

Representing the causes and construing solutions to incarceration was also important to the ‘social impact’ discourse. Two narratives could be identified, one articulating a ‘social capital’ narrative narrowly focused on individual behaviour, and a broader one focused on social conditions. The presence of multiple discourses reflected the diversity of perspectives articulated by multiple actors, and allowed the SIB to be understood as a corrective measure to existing practices focused on repression or fragmentation. But as Fairclough argues, it is important to consider not only the plurality of discourses but the ‘order of discourses’, that is, how they are structured and related to one another. As explained below, and like Peterborough, we see the ultimate marginalisation of explanations focused on social conditions and the centring of narrow, agent-based explanations.

As previously demonstrated, all data sources revealed elements of a social condition explanation for incarceration. These relate to socio-economic causes (namely poverty), criminal justice policy (particular strict sentencing laws), and policing practices (especially racial profiling). In an article by the MDRC President, for example, the author identifies economic recession, aggressive police practices, and sentencing laws as having an impact on incarceration levels. He writes:

“[M]any factors can influence whether recidivism rates rise or fall: an unusually strong or weak economy, a change in policing tactics (for instance, a modification of “stop and frisk” policies), or a change in court practices, since most of these young people are awaiting trial and unable to make bail” (MDRC 2014)

This knowledge was reflected in my conversations with interview partners from the project manager MDRC and the project evaluator Vera, and actors in the broader SIB
policy network, such as the Nonprofit Finance Fund. All of these individuals attributed a structural cause to the problem of incarceration. Asked whether building social capital among detainees will help improve their life chances and keep them out of the criminal justice system, an interviewee at MDRC drew attention to the negative actions of powerful economic players further up the hierarchy. This interviewee said that real progress requires “not just changing the behaviour of the working population, but in changing the behaviour of employers. There’s multifaceted factors to it” (personal communication, MDRC, 2015).

Attention to structural determinants was also given by the Vera Institute of Justice (2016b), which described “system-level factors” contributing to reincarceration: “[W]ider shifts in the city’s economy, crime trends, criminal justice policies, or other factors may also affect recidivism,” the organisation wrote (Vera Institute of Justice, 2016b, p. 8). These ‘environmental features’ and “shifts” in “‘system-level’ factors’ (…) may influence the number of days people are held in the jail—and the likelihood that they will return” (Vera Institute of Justice, 2016b, p. 8).

Harsh sentencing laws were represented by a Vera interviewee as a particularly strong cause of jail growth. The interviewee said: “In terms of SIBS, if you really want to think about reducing mass incarceration, providing therapy to people who are incarcerated, to reduce recidivism, that’s a component of doing that. I don’t think you’re ever going to realise dramatic decreases in the prison and jail populations by doing that” (personal communication, Vera Institute of Justice, 2015a).

This person continued: “[P]roviding services to people who are in jail and prison is important and essential but its front-end kind of interventions which you’re gonna need really to reduce prison and jail populations” (personal communication, Vera Institute of
Justice, 2015a). Probed to specify these measures, my interviewee said “sentencing reform,” by which he meant changing the “decisions about who needs to go to prison and jail in the first place. Addressing the way that pre-trial detention is used” (ibid).

A similar social critique was articulated by the two service organisations (Osborne and Friends) contracted to deliver the ABLE programme. Both emphasised material supports as necessary components for detainees resettlement in their communities (personal communication, Friends of Island Academy, 2016; personal communication, The Osborne Association, 2016). And an interviewee with CLASP, an organisation involved in the broader SIB policy network, pointed to structural causes of reoffending, while discussing the NYC project, describing “recidivism [as] an effect of economic recession and employment”, and harsh drug laws (personal communication, CLASP, 2015).

But this selection of incarceration discourses, focused on social conditions of offending, while revealing the presence of ‘progressive’ perspectives, and linked to visions of decarceration based on forms of increased social protection and economic security, were marginal to the dominant ‘social impact’ discourse. The latter, as I now describe, focused on individual agents, personal behaviour, and failed coping strategies of individual persons in the context of economic recession. This hierarchy in the order of discourse also reflects segmentation between different policy actors, with progressive narratives expressed largely by those with less power to determine the policy, and those with individualist narratives holding more institutional power, for example, the Mayor’s Office, Goldman Sachs, and Bloomberg Philanthropies.

While the NYC SIB politicises mass incarceration as policy failure, its dominant discourse de-politicises the social determinants behind it, and foregrounds explanations centred on personal attitudes and behaviour of detainees. One condition for the possibility
of this mutual presence of competing narratives was, as in the Peterborough project, the absence of explicit moralising, and the framing of the social intervention in the terms of ‘support’. Just as the U.K. case rejected grand “theories of change” in favour of a “practical” mode of operation, the NYC case also prefers a technical-managerial approach of “problem solving”, viewed within a narrow frame of the behaviour and psychology of individual detainees.

The dominant narrative about the causes of incarceration were rarely articulated explicitly, but rather expressed implicitly through the descriptions of the “antirecidivism programme” (Wall Street Journal, 2012) selected by the SIB. The name of the ABLE programme itself showed that the focus was on the personal behaviour of people in a harsh social, political, and economic “environment”, alluded to by the statements above regarding economic recession, poverty, racially discriminatory police practices, and harsh sentencing laws. The assumption was that personal coping strategies were ineffective and required improvement. ABLE set the “goal of reducing the likelihood of reincarceration” through its “focus on personal responsibility education, training and counselling” (The City of New York Office of the Mayor, 2012).

This approach focused on increasing personal skills of people navigating difficult circumstances with the project described as providing detainees the “opportunity to develop the problem-solving and decision-making skills necessary to turn them[elves] around” (The City of New York Office of the Mayor, 2012). It focuses on the personal “skills” that “young people need to avoid future incarceration” (The City of New York Office of the Mayor, 2012). It seeks to “reduce the likelihood of reincarceration by providing education, training and counselling to improve personal responsibility skills, including decision-making and problem-solving” (The City of New York Office of the
Mayor, 2012). According to a Fact Sheet published by the Mayor’s Office the project aims to “reduce the reincarceration rate” by “improving personal responsibility and decision-making” (The City of New York Office of the Mayor et al., 2012). By its own description, ABLE is an invasive behavioural modification technology, described by MDRC as “designed to restructure distorted thinking and perceptions, which in turn changes a person’s behaviour for the better” (MDRC, 2013a, p. 29).

Silver and Clarke are correct then to describe SIBs as “individualis[ing] blame for social problems such as poverty and crime” and “denying the structural and systemic inequalities” at their root (Silver and Clarke 2014). The result, they stress, is the “stigmatisation of [affected] communities” which “deflect[s] attention away from structural inequality and from more equitable solutions to the crisis through, for example, addressing tax avoidance” (ibid). Furthermore, “solutions”, they write, “are seen in terms of changing the behaviours of individuals who are socially, culturally and politically marginalised and often living in poverty. This is central to the idea of Social Impact Bonds: change the way that people in poverty behave, but leave the system intact” (ibid).

Yet, while they are correct in disclosing SIBs’ individualizing approach, the policy’s success in framing an individualist solution to a publicly-recognised socially-caused problem, lies in the policy’s reliance on a technocratic-managerial or post-political language, rather than a directly moralising one. The absence of a language and attitude of moral blame through technical language avoided an outright conflict between actors holding social critiques from those with narrowly individualist foci.30

30 Jamie Peck makes a similar argument about the way technocratic language defused potential political conflicts during the replacement of welfare with workfare in the U.S. In fact, he also points out MDRC’s role at that time, as an important actor within the welfare-to-work policy network, which “took much of the heat out of the debate traditionally fought out in emotional language on the partisan terrain of political and moral principle”; “they pulled the debate into the field of program implementation and
In broad terms, the social crisis of mass incarceration was to be dealt with through a process of individualisation. This reflects what Candeias describes as the act of “subdividing the overall social context into specialized policies to dis-identify societal interrelations and changes, and to individualize the problems of social groups” (quoted in Brand 2014, 436).

David Harvey describes individualism as a way of making persons wholly accountable for their own well-being, a “principle [that] extends into the realms of welfare, education, health care, and even pensions” so that:

“success or failure is interpreted in terms of entrepreneurial virtues or personal failings (such as not investing significantly enough in one’s own human capital through education) rather than being attributed to any systemic property (such as class exclusions usually attributed to capitalism)” (Harvey, 2005, pp. 65–66).

Yet this shift of responsibility for mass incarceration onto the individual and his or her poor behaviour came without an explicit argument based on moral blame. Instead, it explicitly recognised social causes, yet bracketed out them out as immutable objects of the background environment. Framed as a “pragmatic” approach, it applied technocratic managerial practices to a population group, which required a kid of psychological medicine. MDRC wrote of the “exposure” of “participants” to treatment (MDRC 2012: 30), and both MDRC and Vera referred to the “dosages” and “dosage levels” of therapy to which “clients” were exposed, in order to cure presumably behavioural disorders (MDRC, 2013a, p. 23; Vera Institute of Justice, 2016b, p. 20).
Yet, as we know, the individualisation process was one directly organised and monitored for a purpose of “social impact”. This objective could only be secured by actively producing a different subjectivity out of the participants in the ABLE programme. “Re-ablement”, as it is called in the U.K., requires in the U.S. as well, the transformation of welfare institutions, not retrenchment, because subjects are to be persuaded to refrain from criminal activity, or other activities, that may see them return to Rikers Island in the future.

**Welfare transformation**

While emphasizing the individualising character of the SIB, this does not mean the separation of individuals from institutions, or welfare retrenchment per se. Instead, we see that the process of individualisation brought about by the NYC SIB is deeply organised by the state and its private and civil society “partners”, to create new subjects, and to insert them into institutions of monitoring and control for external purposes. We do not see the isolation of detainees from societal institutions, who are left alone with “their” problems, which they have to solve on their own. Rather, with “social impact” as the goal of a collaborative process spanning across state, market, and society, individuals are framed as the target population for coordinated intervention by the state, and in doing so, the second “object of steering” is the existing welfare institutions and the logic and values of social services, which coming under criticism, and are given new meanings and functions.

**6.2.2. Measuring ‘social impact’ with knowledge technologies**

Having now construed the main contours of the social discourse deployed in the NYC case, I now describe how the SIB transformed this discourse into operable categories and technologies for quantifying and measuring ‘impact’. These sought to capture through
quantification, the numerical effect of the ABLE programme upon recidivism levels. For this, the project required measurement techniques and categories to assess potential changes.

Recidivism rates were to be measured according to the proxy “readmission bed days” (RBDs), which “captures the number of days [people] were held in jail during the 12 months following their release from Rikers” (Vera Institute of Justice, 2015b). The project’s intended target group were “16- to 18-year-old youth detained at New York City’s Rikers Island jail”, to whom the ABLE programme was administered, and whose RBDs were to be assessed by Vera (Vera Institute of Justice, 2015b).

The proxy of RBDs was chosen because of its intended total effect upon the size and capacity of the facility, hoping that lower RBDs will lead to reduced facility expenditures. The aim is to “reduce permanently the number of jail beds operated…” (MDRC, 2013a, p. 15). The ABLE programme was rolled out as wide as possible, because “jail bed savings are the result of both the size of the program’s impact and the number of program participants” (MDRC, 2013a, p. 15). They sought therefore to “serve a large number of people in order to produce the desired cost savings”, and the contract “set minimum requirements for the number of participants that must receive the ABLE program” at 9,240 over four years (MDRC, 2013a, pp. 15–17). Only at this level could it be expected to hit the 10% level of reduced RBDs.

According to the city’s calculations, a 10% reduction in RBDs would create enough savings to repay investors their original investment. The city:

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31 This broke down as follows: “1,440 in Year 1, 2,500 in Year 2, 2,500 in Year 3, 2,400 in Year 4, plus an additional 400 participants who can be engaged at any time during these four years” (MDRC, 2013a, pp. 15–17).
“believed it can save approximately $4,600 per jail bed for reductions of less than 100 beds, but approximately $28,000 per jail bed for reductions of 100 beds or more. This is the case because many jail costs are fixed, particularly those related to staffing. If it could eliminate 100 beds or more DOC would be able to close a housing area, which in turn would allow the agency to lower its staffing needs (in this case, by reducing spending on overtime for uniformed staff). (MDRC, 2013a, pp. 15–17).

The programme was to operate for at least three years, allowing Goldman to decide on a fourth year following Vera’s first cohort assessments.32

In order to assess ABLE’s effect upon RBDs, Vera developed a quasi-experimental design, employing the same Propensity Score Matching system used in the Peterborough project that allows a test group to be compared with a control group determined by multiple characteristics that match individuals according to a variety of similar characteristics. “[T]hese groups were matched on a variety of factors including charge, criminal history, gender, and age using a statistical technique called propensity score matching” (Vera Institute of Justice, 2015b). It also controlled for “system-level factors” which could also affect readmissions, for example “citywide changes that are not related to the program, such as shifts in policing practices or changes in the use of community-based alternatives to incarceration” (Vera Institute of Justice, n.d.).

Assessing the impact of ABLE upon recidivism levels, Vera compared the “RBDs for 16-to 18-year-olds who were eligible to participate in the ABLE program during 2013 with

32 “Specifically, the SIB guarantees financing for the first three years, but investors must make a decision to continue financing the program for the fourth year. That decision will be based on the 12-month evaluation results for the cohort admitted between January 1, 2013 and December 31, 2013. Year 5 and Year 6 require continued funding from the city, as the SIB will have ended.” (MDRC, 2013a, p. 17)
a matched historical group who passed through the jail before the program was established (from 2006-2010)” (Vera Institute of Justice, 2015b). If they “determines that the intervention (a cognitive behavioural therapy program) reduces recidivism by at least 10 percent, the project will be deemed a success and the Department of Correction will pay back the investors for the cost of operating the program” plus interest, depending upon the degree of reductions (MDRC, 2013a, p. ix).

6.2.3. Producing ‘social impact’

Having now described both the social discourse, and the social technologies for measuring and governing recidivism, I now explain the social practices deployed to restructure collective action with the aim of reducing recidivism. As I explain in this section, this change was to be produced by reshaping the personal attitudes and behaviour of detainees held at Rikers Island, induced by inmates’ participation in group therapy sessions at the prison.

Selecting an intervention: cognitive behavioural therapy

Means for achieving the ‘social impact’ objective had already been decided by the Mayor’s Office in September 2011, when it began working with MDRC and Bloomberg Philanthropies on the SIB (MDRC, 2013a, p. 29). At this time, it decided on a therapeutic approach, and the intermediary (MDRC) was tasked with “selecting a cognitive behavioural therapy curriculum”, which decided on “moral reconation therapy” (MDRC, 2013a, p. 30). Vera described MRT, as an “evidence-based intervention that focuses on improving social skills, personal responsibility, and decision making” (Vera Institute of Justice, n.d.). Among MRT, MDRC selected ABLE as the best and most flexible fit for the Rikers environment.
Cognitive behavioural therapy is an invasive behavioural modification programme “designed to restructure distorted thinking and perceptions, which” according to MDRC, “in turn changes a person’s behaviour for the better” (MDRC, 2013a, p. 29). It is “premised on the idea that beliefs, attitudes, and values affect the way people think and how they view problems. These beliefs can distort the way a person views reality, interacts with other people, and experiences everyday life” (MDRC, 2013a, p. 29).

For people in detention, it is supposed “to improve social skills, problem-solving abilities, critical reasoning, moral reasoning, cognitive style, self-control, impulse management, and self-efficacy” (MDRC 2013, 29). The programme focuses on “moral development and seeks to improve moral reasoning by addressing participants’ beliefs and reasoning in a systematic, step-by-step way” (MDRC, 2013a, p. 30).

MDRC continues:

Participants use a workbook to progress through the eight stages of development in a group with the help of a trained facilitator. They progress from one moral stage to the next by delivering “testimonies,” or presentations about themselves, that indicate that they have begun to internalize the content of the moral stage associated with each step in the program. (There are 12 such steps in total, beginning with “honesty” and culminating in “choosing moral goals.”) The group and the facilitator vote on the testimonies, and a passing vote enables a participant to move up the “Freedom Ladder” (MDRC 2013, 30).

It is organised around 50-minute group discussions, five days a week, and is integrated into the school day at Rikers Island (MDRC, 2013a, p. 34).
Outsourcing the Programme
The administering of the programme was conducted by two long-standing non-profit organisations, The Osborne Association and the Friends of Island Academy, contracted by the City government (MDRC, 2013a, p. 32). Both organisations have long-term experience in supporting offenders. “Osborne has extensive experience running cognitive behavioural therapy programs and has worked in prisons for over 30 years. Friends has worked with young people in New York City for two decades, much of it with young men and women in the public school that operates on Rikers, East River Academy” (MDRC, 2013a, pp. 31–32).

Service delivery was tied in the NYC case to a strict definition of the programme to be delivered, the ABLE programme. Both organisations had experience with ABLE, yet understand incarceration as having social causes, and therefore typically offer multiple service support (e.g. housing, community service). The NYC SIB restricted activities to the ABLE programme, as a way of testing whether this single method could achieve the reductions that rounded service delivery is usually required. The hope was that effectiveness with this single method would set a precedent for limiting services in other areas, which would have been proved unnecessary.

Narrowing and distorting categories: simulating ‘social impact’
The bracketing out of social features of incarceration and the narrow focus on individual agency/subjectivity, resulted in the distortion of the very category “offender” upon which the project rested. The “anteccidivism programme” (Wall Street Journal, 2012), as it was called, was actually administered to people who for the most part were “pre-trial detainees”, meaning people who “haven’t been convicted” and are “in jail awaiting the outcome of their trial” (MDRC, 2015a). Up to ninety percent of persons in the ABLE
programme were not convicted, but instead, detained and awaiting their court appearance; they were “un-sentenced young people who remain in New York City Department of Correction [DOC] custody while their cases are pending in court”, MDRC wrote (2013a, p. 32).

An interviewee with Vera said (personal communication, 2015a) that at “most jails – certainly Rikers Island – most people are held pre-trial. There’s been no decision in their case. They’re just being held pending their trial”. Pre-trial detainees, as they are called, may be legally held up to twelve months while awaiting an appointment in court.

This reality reveals a glaring contradiction in the project because it seeks to reduce reoffending among people who had not been convicted of a crime. It sought to reduce criminal behaviour among people who had not committed crimes. It was not the sources of incarceration that were targeted, but the people who were suffering under punitive policing and racial profiling practices. Or, as one Vera interviewee (personal communication, 2015a) said, they were victims of harsh sentencing laws that kept low-income people captive: “[M]any people in New York City are held in jail because they can’t afford to pay low bails. So it’s basically because they’re poor.” And according to the project manager, even convictions do not mean they really committed crimes, as many take plea bargains (personal communication, MDRC, 2015a).

This contradiction – this mismatch of an anti-recidivism programme targeting non-convicted persons – was an open secret among the actors directly involved in the NYC project. Some of the policy literature pointed out that ABLE’s target population were not convicted persons, but instead ‘pre-trial detainees’, but it was only marginal in the literature (MDRC, 2013a, p. 32; Vera Institute of Justice, 2016b, p. 16). In those seldom cases when it is mentioned, it is done so in passing. It is not discussed as an issue of
concern (let alone problematized), but instead allows for a simple equation of ‘detainees’ with ‘offenders’. In media reports, no instances could be found where this false categorisation and false targeting was questioned.

These facts reveal how social impact is being simulated, and yet has not negatively impacted the project’s public standing. Here it is clear the way policy plays a legitimising role, as an imagined solution contributing to the maintenance of the status quo, and to prevent alternative strategies from emerging.

**Passive consent and contradictory practices**

These contradictions are dealt with in particular ways by the policy actors. The first tactic is a discursive shift from the popular usage of the term “offender” as meaning someone who has been convicted of a crime, to the technical language, in which “offender” is defined as someone who has been detained.\(^{33}\) This backgrounds or brackets out the social environment and moves to a level of techno-managerial control of persons. We see this for example in the following interview selection with Vera (personal communication, 2015a):

Q: There’s something peculiar about this situation because the issue is to stop reoffending, but these are people who haven’t been convicted of offending in the first place, right?

A: [Pause] Um, well actually...

Q: Or am I misunderstanding something?

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\(^{33}\) Even on this point, one interviewee from MDRC challenged the notion that criminal convictions correspond to actual crimes, saying that especially poor, defendants of colour face pressure to take a plea bargain, to avoid lengthy and costly trials, even if they are innocent (MDRC, 2015a).
A: ... [inaudible] many have been convicted earlier. But the goal is not um ... well, reoffending... the definition of offense in the criminal justice system includes arrest, includes any incarceration… (emphasis added)

We also see in this selection how the interviewee, uncomfortable with this technical argument, shifts the discussion to a moral one, which provides a new basis of legitimacy for the project. This emphasises the good intentions of service providers for people in detention, independent of their guilt or innocence. 34 The interviewee (personal communication, Vera Institute of Justice, 2015a) continues:

A: …and when you’re in jail or in prison or convicted or not convicted and sentenced, your life is affected. You spend time in jail, your life is affected. That affects your employment prospects.

Q: Sure…

A: We’re reaching them before they’re convicted in many cases.

But this point is also a contradiction, as the interviewee criticises the narrow methods of behavioural therapy to reduce prison numbers: “I don’t think you’re ever going to realise dramatic decreases in the prison and jail populations by doing that” (personal communication, Vera Institute of Justice, 2015a), the interviewee told me. “[P]roviding services to people who are in jail and prison is important and essential,” the person said, “but its front-end kind of interventions which you’re gonna need really to reduce prison and jail populations” (ibid). After further probing, the interviewee stressed the need for

34 The interviewee says that many convictions do not reflect the actual guilt of defendants but the pressure upon them to take plea bargains, because of the lack of desire by the court to lawyers to take on the time and resources expenses.
“sentencing reform” to change the “decisions about who needs to go to prison and jail in the first place” and to “[a]ddress the way that pre-trial detention is used” (ibid).

But how does the interviewee deal with what this person perceives as a mismatch between the project’s methods and its goals? How could a consensus be achieved among policy actors when some of them clearly state their contradictions? As we’ve seen above, this is accomplished by shifting grounds. Asked how the organisation supports a project, which appears to contradict its own knowledge about incarceration, there is a retreat to an ultra-pragmatist position. Behavioural therapy is part of a “multiple tactics” approach: It is “[o]ne part of a coordinated strategy to reduce the use of jail and prison” (personal communication, Vera Institute of Justice, 2015a). A similar reconstruction of the project and its embedding in a broader reform perspective was also articulated to me in my interviews with the project manager (personal communication, MDRC, 2015a; personal communication, Vera Institute of Justice, 2015a). But both interviewees seemed to believe that the project’s symbolic value was more significant than its practical value. It was part of a shift in public consciousness towards prison downsizing and rehabilitation, and against punitive containment. My conclusion here is that direct participants holding elements of a progressive post-neoliberal perspective, accept, even reluctantly, a passive consensus, despite its practical contradictions, because they do not see concrete alternatives available to them in the current moment, but that they do see these projects as part of a potential shift from repressive to ameliorative ways of dealing with social crises in the future.

6.3. Governing the fiscal crisis by ‘mobilising private capital for public good’

This section focuses on the SIB’s second object of intervention, namely the fiscal crisis of the state (Dowling & Harvie, 2014), by analysing the strategy of the NYC SIB to
‘mobilise private capital for public good’. As a ‘third way’ strategy linked to ethical capitalism, this entails the partially loosening grip of the dominant austerity position, without directly challenging it. The case appears then as a ‘third way’ position between a hard neoliberal austerity line on the one side, and an anti-austerity ‘push back’ (M. E. Warner & Clifton, 2013) on the other.

Just as in the Peterborough case study then, the NYC case is examined here in terms of its fiscal strategy. I begin by analysing the fiscal narrative of ‘leveraging private capital for public good’. This describes the discourse of ‘counteracting austerity’ through ‘impact investment’. Second, I discuss the knowledging technologies for transforming discourse into interpretive practices that categorise data and social events for their management towards the fiscal goals. The third sub-section explains the social practices intended to operationalise the fiscal strategy and produce ‘leverage’.

In accordance with the hegemony approach described in chapter two, the fiscal narrative is reconstructed in terms of the negotiation of multiple and often competing perspectives, into a provisional compromise. In particular, I am concerned with showing how at least two different perspectives are present and reorganised, referring to an orthodox neoliberal austerity narrative on the one hand, and a Keynesian-inspired public investment perspective. The divergence between these two perspectives is provisionally bridged through a conditional private investment strategy linked to public policy goals. This struggle and renegotiation plays out too, through the operationalisation of the fiscal narrative in measuring technologies and the development of collective action to ‘leverage’ private capital. The description shows how unequal power relations and a ‘strategically selective’ (or ‘biased’) context impacts the process of negotiation and shapes the processes of selection, and eventually the fiscal outcomes as well.
6.3.1. Narrating ‘leverage’: ‘impact investment’ to ‘counteract austerity’

The Rikers Island project articulated a specific approach to fiscal policy that sought to expand social programmes in a political mood dominated fiscal constraints. This section discusses the discursive framing of this strategy in the New York City project.

*Public fiscal deficit and private capital surplus*

As in the Peterborough case, the central ‘problem’ from the New York City Mayor’s Office, from a fiscal perspective, was managing the conflict between shrinking public expenditure and steady or growing social needs. As the Nonprofit Finance Fund, as market creator for SIBs, stressed to me in an interview, SIBs are a way of dealing with “shrinking social programming budgets” (Nonprofit Finance Fund, 2015). Project advocates emphasised the narrow room for manoeuvre due to strict policy constraints dominated by the fiscal conservative argument based on the need to minimise social spending. In a “time of fiscal constraints”, the mayor's office argued in a presentation on the project (Bringing SIBs to NYC), the project will have no fiscal footprint. In the opening sentence of its initial press release announcing the project, the Mayor’s Office writes that the New York City Social Impact Bond is “an innovative way to fund promising new programs at no cost to taxpayers” (Mayor’s Office 2012).

The “intermediary” organisation wrote similarly of the “[b]udget constraints” which limit the ability of “governments to invest in innovative preventive services” and that “SIBs help to address that problem” (MDRC 2013, 5). The think tank McKinsey propagated similar arguments in support of SIBs, writing that “government’s existing legacy systems tend to focus on remediation, and fiscal constraints can make it tough to introduce alternative approaches” (McKinsey & Company, 2012, p. 12). In this context, MDRC wrote, “[t]he New York City SIB allows the city government to secure investment for an
innovative program in a time of fiscal constraints, and requires it to pay only if the program meets its definition of success” (MDRC 2013: 45). In their joint statement on the project, following its early completion, Bloomberg Philanthropies and Goldman Sachs framed the SIB once again as having “allowed the government to take serious steps to help find the right mixture of policy prescriptions to address a pressing policy priority in a time of budget constraints” (Bloomberg Philanthropies & Goldman Sachs, 2015). SIBs “unlock [a] new source of capital for government”, says an interviewee with Bloomberg Philanthropies (personal communication, 2015).

These examples show how the topic of fiscal constraints played an important role in the NYC SIB discourse. The project accepts the narrow limits imposed upon social policy by dominant positions regarding fiscal constraints. Yet, while the SIB accepts the austerity narrative and policies, it also avoids a determinism implying the need for welfare retrenchment. This is achieved by avoiding a strict argument based around the idea of resources scarcity, and instead acknowledging the problem as resource maldistribution, but as we shall see below not one to be addressed through progressive taxation. As the quote above says, public fiscal deficit sits aside a private capital surpluses.

As MDRC writes: “Private wealth that could be directed at [social] problems is at an all-time high — banks are seeking to invest in their communities, donor-advised funds house more than a billion dollars in wealth, and a new generation of philanthropists has pledged billions more to social purposes” (MDRC, 2016b, p. 22). This statement describes the increasing readiness among societal actors, to re-conceive private wealth as being a potentially constructive force in the achievement of public goals.

The resonance of the NYC SIB has to do with this effort to present a fiscal strategy that appears as an alternative to public spending cuts. In the articulation of the fiscal strategy,
the NYC SIB frames a counter-movement to the contraction of public funding, namely, the expansion of private investment. Linked to this is an argument that the SIB does not reduce welfare services, but shift from remedial to preventative ones, expanding the latter as the use for the former recedes.35

This frame was not only offered by direct actors such as Bloomberg Philanthropies, but also by organisations that describe themselves on the progressive end of the political spectrum, and which otherwise call for policies of de-commodification and social protection. The Roosevelt Institute, for example, supported Social Impact Bonds, despite their commodifying logic, on the grounds that they writing that “[i]t is incumbent upon progressive policy leaders to not only consistently make the case for robust funding, but also advance ideas that can generate the most value for citizens in an increasingly resource-constrained environment” (Bosserman, 2011) SIBs, they continue, “hold the potential to be one of those ideas” (ibid).

SIBs received support across the political spectrum, with a progressive narrative framing the narrow policy corridor as the result of political forces (i.e. ‘deficit hawks’), and others naturalising these constraints as mere background structure. While the former articulates the need to challenge the politically-shaped constraints, the SIB provides a point of consensus between liberal and conservative actors in which resource scarcity is replaced by the issue of resource maldistribution. The problem is rearticulated as one of how to gain access to the capital resources held in private hands.

35 Hence, we can see why Warner and Clifton (2013) conceptualise SIBs as a way for cities to find a compromise that try to use financial markets and resources to maintain or even expand services. I believe this understates the many constraints that outweigh the openings. This point will be further developed in the following chapter.
Numerable examples show how the NYC SIB highlighted not only public deficits, but also the surplus capital held by private firms and individuals. As the city government’s “Fact Sheet” (The City of New York Office of the Mayor et al., 2012) argued:

“This innovative model brings in new private financing for preventive services, especially important in these times of constrained government spending. It aims to unlock a new pool of funding – commercial investment – for evidence-based social services interventions in New York City and throughout the country”.

An interviewee from Bloomberg Philanthropies echoed this sentiment, saying: “When I think about the possibility of unlocking this entirely new pool of capital for this type of intervention, like I, that’s exciting” (Bloomberg Philanthropies, 2015). The Executive Director of Friends of Island Academy agreed, saying that a “SIB leverages private investment to achieve public good. It’s a whole potential pool of dollars that were otherwise completely removed from our universe” (Christine Pahigian quoted in MDRC 2013: 6). And Bloomberg Philanthropies and Goldman Sachs wrote in post-project assessment that they’re “proud to have opened up a new pool of capital to enable governments to bring more promising social service approaches to young people in need” (Bloomberg Philanthropies & Goldman Sachs, 2015).

MDRC too described SIBs as “innovative financing arrangements that aim to increase the pool of money available for preventive services” (MDRC, 2013b). In an interview with them the interviewee told me, that “[i]f we’re to secure more resources for this purpose – which was a big goal for us going in – we have to get those private investors involved” (personal communication, MDRC, 2015).
In the Federal Reserve Bank of San Francisco's newsletter Community Development Investment Review, Third Sector Capital Partners presented the argument in the same way, writing: “Given the challenges of today’s funding environment for the nonprofit sector, the multiple benefits of SIB, and the opportunity to access new pools of capital, the social impact sector should feel compelled to investigate the development and application of the social impact bond here in the United States” (Von Glahn & Whistler, 2013, p. 68). Media reports echoed this message, with the New York Times writing of the Rikers SIB: “The program is financed by an innovative mechanism called a social impact bond, one of a handful of ways that philanthropy is trying to tap new pools of funding to produce measurable social results” (New York Times, 2012b).

The reference of ‘new pools of capital’ have an interesting way of structuring discourses. Implicitly, the idea acknowledges that public fiscal deficits is not a problem of scarce resources, but instead, one of uneven distribution. The flipside of public fiscal deficit is private capital surplus. Yet, instead of government using taxation to absorb such surpluses and raise revenue, SIBs opt to incentivise holders of surplus capital to supply these resources, yet on the basis of potentially receiving profitable returns.

Incentivising private investment by commodifying social provisioning
While the SIB acknowledges the uneven distribution of capital between public and private sectors, and seeks to put it to socially-beneficial use, it rejects taxation as a mechanism of revenue generation and for the expansion of social protections as a service model or value. Instead, the NYC SIB gained access to these oft-cited “new pools” of capital through commodification, that is, by turning social policy “outcomes” and the “performance” of service delivery into a purchasable product, under the misnomer “bond”. This “mutation of privatisation”, as Whitfield (2012a, 2015) calls it, involved the commodification of
social policy performance rather than the delivery organisations themselves, is framed as a way to draw private capital in for addressing public needs.

The government's active effort to enlist private capital in projects focused on “creating social change” (see section above on the social change narrative), signifies at least symbolically, a deviation from neoclassical orthodoxy. State interventionism, aimed at addressing the clear social divisions, contrasts conceptually with the ideas of supply-side economics and trickle-down theory, which claims that “a rising tide lifts all boats”. It does so however, without (re)turning to a Fordist-Keynesian or social democratic models of tax-generated revenue and redistribution and the associated expansion of social protections. Instead, the state accesses private surplus capital by commodifying social policy performance and offering SIB "Bond" holders (i.e. investors) the prospect of profitable returns. This is what the language of ‘new pools of capital’ forecloses. This expresses what Jayasuriya called an effort to create “public responsibility within modes of market governance” (Sprague, 2010), and typifies the ‘third way’ politics of a compromise between orthodox neoliberalism and social democracy.

As we saw in the previous section as well as in the Peterborough case, the model of “social impact" advanced by the SIB precipitates the deepening of control and a workfare regime, not the strengthening of solidaristic ties, nor the strengthening of social protections against the vagaries of the market, but rather the weakening of social rights and the strengthening of notions of market citizenship (Jayasuriya, 2006).

The NYC was to address the public funding gap by accessing the capital surpluses that have accumulated in the private sector by creating a capital flow that allows them to circulate through the social sector in such a way that avoids their “absorption” through redistributive “transfers” by social protections for people at the bottom of the socio-
economic hierarchy, a process that is put in motion by the profit-motives of investors (the “Bond” holders) in the social policy outcome of the recidivism-reduction programme.

This strategy was articulated in the language of “mobilising”, “harnessing”, or “leveraging” private capital “for public good.” Goldman Sachs, the single investor in the New York City project describes the Social Impact Bond, for example, as an “innovative approach to harness private sector financing for important public initiatives” and as a “new type of instrument that enables the public sector to leverage upfront funding from the private sector” (Lloyd Blankfein quoted in MikeBloomberg.com 2012). Friends of Island Academy also frame the SIB with the same words, saying: “A SIB leverages private investment to achieve public good. It’s a whole potential pool of dollars that were otherwise completely removed from our universe” (Christine Pahigian quoted in MDRC 2013: 6). Bloomberg Philanthropies, who mitigated Goldman’s risk on its investment through a large loan guarantee (discussed below), described the SIB as a “financing tool that leverages private investment for government projects” (Katie Appel Duda quoted in MDRC 2013: 6). The "independent evaluator", Vera, used the same words to describe the way government accesses private capital in the SIB, writing that it "leverages private funding to finance public services" (Vera 2015, Vera 2016: 6).

The term ‘leverage’ is central to the SIB discourse, which avoids tax-based revenue generation, and relies on profit-based investment. By ‘leveraging’ private capital, commissioners are liable for ‘outcome payments’ in larger sums than the original ‘loan.’

This common frame was also articulated by indirect policy actors, such as the White House, which wrote of “Pay for Success bonds” that “leverage philanthropic and other private investors to provide services for a target population that measurably improve the lives of individuals while also spending taxpayer dollars wisely”(Office of Management
and Budget, White House, 2012). Media reports commonly re-used this language, with Reuters (2012) directly citing central stakeholders, for example Goldman, saying “We believe this investment paves the way for a new type of instrument that enables the public sector to leverage upfront funding from the private sector.”

But this language is not created out of thin air, but instead organically picks up on popular desires to give private excesses a social function, without however reducing/harming the private owners. “Mobilising” and “harnessing” are positive words, just as “leverage”, which has a particular use in the financial industry, meaning to “borrow”.36 Though borrowing is not completely accurate due to investor risk in a SIB arrangement, and may have a negative connotation in a policy context dominated by austerity, where public debt is a dominant concern. “Leverage”, “mobilise”, and “harness” have neutral or positive qualities that draw organically on popular attitudes, yet simultaneously, through their opaqueness, hide the transformations of the practices.

It selectively borrows the progressive idea about imbalanced resources and the need to put surpluses to social use, doing so however, in such a way that follows the neoliberal logic that avoids having capital be absorbed “unproductively”, it is supposed to generate both more social efficiency and capital growth.

In this arrangement, “leverage” meant from the state’s perspective, using “borrowed” private capital to finance preventative services, and using a portion of the expected public savings resulting from the expected reduction in more expensive remedial services, to repay the “lenders” or “Bond” holders a return on their investment. This idea is meant to enable government to attract the so-called “new pools” of capital accumulated in the

36 The Investopedia entry for “leverage” describes it in terms similar to that of “borrowing” (Investopedia, 2003). The advantage of this term in the context of austerity politics, is that it refrains from implying debt, associated with public borrowing.
private sector by offering monetary incentives. As a fiscal strategy, the state sought to use
the profit-motives of private investors for its own goals of driving “innovation” in the
social sector, namely, by achieving cost cutting productivity gains in the form of cashable
savings, which would then be “shared” between the public authorities and private
investors. As the US National Advisory Board on Impact Investing wrote (2014, p. 16),
government could “raise revenue” by acting as a “market maker” by stimulating and
incentivising investment of private capital, by “creating [monetary] incentives to direct
private capital”. The state incentivised private investment from Goldman Sachs in the
Rikers Island Social Impact Bond by offering the investors the prospect of profitable
returns, which would be paid by the government, through the Department of
Correction. As The Osbourne Association's Executive Director Elizabeth Gaynes said in
an MDRC report, it is a matter of “private investment, which is repaid by the government
if it is successful” (Elizabeth Gaynes, Executive Director, The Osborne Association
quoted in MDRC 2013: 6). The motivation of investors is their monetary self-interests,
as well as in the case of Goldman Sachs, the improvement of their public image following
their role in the financial meltdown of 2008.

Efficiency gains and shared savings
According to this argument, “leveraging private capital” does not simply fill a funding
gap, but creates revenue beyond the sum of the original investment. Therefore, the next
link in the discursive chain of the fiscal strategy advanced in the New York City case is
that of increased productivity of the “social sector” with the hope of efficiency gains,
which will create monetary cost savings for the government. These are important
elements, as private investment is secured through the prospect of profitable returns,
which are expected to be paid out of new government resources resulting from more efficient services.

As Andrea Glick of the Mayor's Office (The City of New York Office of the Mayor, 2013) wrote:

“The SIB model utilizes private funding to fund certain social service initiatives, which are intended to have cost savings for government. In a SIB setting, government funds are utilized only if the human services-related initiatives meet pre-established outcomes, and actual government funds are saved due to that initiative meeting the outcomes. If the outcomes are met, the resultant cost savings are used to not only fund the initiatives in the long term, but to also to return the private investors’ outlay of initial funding.”

One interviewee from Osborne articulates this point by saying that SIBs in the U.S. are “expanding things that already exist” and that “if the potential of cost savings is there and real ... it gets the scaling off the ground...” (personal communication, The Osborne Association, 2016). These “savings”, the Mayor's Office wrote, “can be recaptured” (Bloomberg, Michael & Gibbs, Linda, n.d.), and shared. “Increased success”, we read in the initial announcement, expressed in “bigger reductions in reincarceration”, it says, “will result in greater savings to the City and consequently, greater payments to MDRC”, the intermediary organisation responsible for repayment of Goldman Sachs’ investment in the case of a successful outcome (The City of New York Office of the Mayor, 2012). The Department of Correction, the Mayor's Office clarifies, “will be obligated to pay for these services only if the ABLE program achieves predetermined reincarceration reduction targets that produce cost savings for the City” (Bloomberg, Michael & Gibbs, Linda, n.d., p. 6). And an interviewee at MDRC explains in similar terms that:
“success in the case of these early SIBs is determined by cost-savings. So, there's gotta be savings associated with it. The program in effect has to pay for itself from its result. So reducing recidivism means fewer days in jail which has a cost savings, and as the numbers increase you reach a point where you can actually in theory, reduce, close a wing, reduce part of a dorm, have some effect on fixed costs” (personal communication, MDRC, 2015).

Then the interviewee distances himself from the project, and says: “That's at least the theory of how this would work” (ibid). He ends his thought explaining that this argument is a political framing in a specific (and constrained) political context: “Cost savings, whether they're realised or not, I don’t know, it’s theoretical, it’s not like, it’s not a direct result of what you do here, but it has to be believable enough for everybody to agree that this makes sense” (personal communication, MDRC, 2015). Whether it “makes sense” appears to this interviewee to be an open question, revealing a passive consensus to ‘social investment market’ strategies in a context of a political standstill.37

6.3.2. Measuring ‘leverage’

The fiscal strategy of the New York City was not only framed discursively, but also transformed into knowledge practices and technologies that allow for the selection and organisation of data, its categorisation, and its measurement. This involved establishing rules for the government’s acquisition of private resources, and their distribution to

37 McKinsey also relativizes the cost-savings claim, revealing their interest in SIBs to be their organisation’s perception that they enable the expansion of preventative services: “Much of the discourse on SIBs emphasizes the financial savings that government may realize by replacing more expensive remedial programs with less expensive preventive interventions. However, multiple funding streams, limited data systems, and lack of cross-agency coordination may inhibit government’s ability to fully recognize the financial savings from a SIB. While some stake-holders describe this as more an accounting problem than a savings problem, in our view, SIBs are primarily a vehicle for scaling up a preventive program that delivers significant social impact rather than a reliable source of cost savings.” (McKinsey & Company, 2012, p. 18)
service organisations based upon expectations and guidelines for courses of action. It too
involved specific rules for the practices of these organisations, whose activities are
supposed to affect and reduce public expenditures. These rules also referred to the
potential distribution of a certain portion of these ‘savings’ to the investors according to
specific reductions in recidivism and in specific sums.

**Attracting private capital**
The New York City Social Impact Bond negotiated a £6.8 million [$9.6 million]
investment from Goldman Sachs. These funds were delivered to MDRC to fund the
ABLE intervention. The City writes that “[i]n this approach, there is no upfront cost to
the taxpayer, instead: Goldman Sachs funds the project’s delivery and operations through
a $9.6 million loan to MDRC” (The City of New York Office of the Mayor et al., 2012). These funds will go towards “the intervention, fully funding the ABLE program at Rikers
Island during its implementation” (Bloomberg, Michael & Gibbs, Linda, n.d.), over a four
year time span (MDRC, 2016b, p. 4). MDRC contracted the service delivery to Osborne
who subcontracted some of the work to Friends, with the funds being used for their
operating expenses.

**Estimating Savings**
The fiscal strategy was to expand preventative services to reduce remedial expenses –
especially fixed costs in the operation of Rikers Island facility – and to share these savings
between city government and Goldman Sachs as a return on their investment. As an
interviewee with MDRC said: “So reducing recidivism means fewer days in jail which
has a cost savings, and as the numbers increase you reach a point where you can actually
in theory, close a wing, reduce part of a dorm, have some effect on fixed costs. That's at
least the theory of how this would work.” (personal communication, MDRC, 2015)
The city hoped to reduce expenses by limiting readmissions into Rikers Island and set a concrete target. “[B]ased largely on the historical size of the target population in Rikers Island jail”, MDRC wrote, the City and the organisation could “identify the level of impact that would justify the program’s cost. In other words, it became possible to identify how large the impact would need to be for the city to realize enough savings to repay the initial investment.” (MDRC: 2013 12) They concluded “the city would need to see at least a 10% average reduction in future jail time” (ibid).

The DOC calculated that over 3,700 adolescents (between 16 and 18 years) “were admitted into DOC custody on Rikers” (MDRC: 13), with a readmission rate of 47%, who on average “will spend more than 200 days in jail over the next six years (in addition to his or her current stay), an average of 34 days in jail each year.” (MDRC 2013: 13). It calculated that “it can save approximately $4,600 per jail bed” but much larger savings per unit if reductions were achieved on a larger scale, “approximately $28,000 per jail bed for reductions of 100 beds or more” (MDRC Financing: 15). At this scale, they could slash fixed labour costs MDRC writes: “If it could eliminate 100 beds or more DOC would be able to close a housing area, which in turn would allow the agency to lower its staffing needs (in this case, by reducing spending on overtime for uniformed staff)” (MDRC Financing: 15).

Whereas the Peterborough SIB focused on reducing “reconviction events”, the New York City project’s “primary outcome of concern” was the “number of days young people spend in jail”, sometimes called “future jail days”, “future bed days” (MDRC 2013: 17), or “readmission bed-days (RBDs)”, which are defined as “a jail bed occupied by a young person on a second or subsequent stay on Rikers” (MDRC 2013: 19).
A target of 10% less RBDs, it was calculated, would require that minimally 9,240 people must participate in the ABLE programme during the first four years (MDRC 2013: 15), a time-frame decided upon by the main stakeholders. This figure was based on data about the historical effectiveness of the cognitive behavioural programme ABLE (ibid), the “average weighted impact” being 11.4% (MDRC 2013: 24).

Because of the time-lapse required for reductions of incarcerated youth to effectively impact the DOC budget, the agreement was set for a four-year time frame. "It takes time to serve enough people to produce a broad enough effect for DOC to need 100 fewer beds”, MDRC wrote (MDRC, 2013a, p. 15). Specifically, the calculations saw actual budgetary savings not occurring within the first three years, even if the first three cohorts achieved the 10% targeted reduction. MDRC writes that “a 10% reduction in jail bed use results in nearly invisible cost differences for Year 1 through Year 3; substantial savings do not appear until after Year 3” (MDRC 2013: 15). Yet, Goldman Sachs' contribution was guaranteed for the first three years, the fourth was conditional, depending upon evaluation results from Vera on the effectiveness of the ABLE programme to reduce RBDs: “[t]he SIB guarantees financing for the first three years, but investors must make a decision to continue financing the program for the fourth year” (MDRC 2013: 17).

**Impact targets and ‘shared savings’**
With a 10% reduction in RBDs, the city was to repay the original investment. The DOC would return $9.6 million to Goldman Sachs and the City would keep up to $1 million in net savings (Bloomberg, Michael & Gibbs, Linda, n.d.; MDRC, 2013a, p. 19; The City of New York Office of the Mayor et al., 2012). The DOC “pays MDRC based on reduced re-admissions and the associated cost savings and MDRC then pays the private investor” (Bloomberg, Michael & Gibbs, Linda, n.d.). It “will be obligated to pay for these services
only if the ABLE program achieves predetermined reincarceration reduction targets that produce cost savings for the City” (ibid). Because the investor in the NYC project was a “traditional investor” (MDRC 2013: E5-9), rather than a “social investor” as in the Peterborough case, the Rikers Island SIB sought to mitigate the risk for the investor. Instead of a “sharp distinctions between repayment and total loss”, the NYC project offered the investor a partial pay-off in the case the project missed its recidivism target, promising to return half of the original investment if the project only reduced recidivism by 8.5% (ibid). (In this case, the City could expect to achieve up to $1 million in net savings.) Yet if on the contrary, the ABLE programme achieved reductions above 10%, the investor and the city could both expect larger financial benefits, with a total possible “success payment” at 20% recidivism reduction at $11,712,000 for Goldman Sachs and a "net projected taxpayer savings" of over $20 million (Bloomberg, Michael & Gibbs, Linda, n.d.; MDRC, 2013a, p. 19; The City of New York Office of the Mayor et al., 2012).

6.3.3. Producing ‘leverage’
While the above description explains the ‘leverage’ arrangement for assessing and organising ‘shared savings’, this arrangement could only be finalised after the investor secured additional measures to further reduce its risk capital. The first additional measure involved a third-party loan guarantee in the case the project failed to hit its ‘impact’ target. This loan guarantee was offered by the mayor’s organisation, Bloomberg Philanthropies, in the amount of $7.2 million (GBP 5 million). This grant reduced the potential loss of the financial giant’s investment from $9.6 to $2.4 million (GBP 1.67 million), if ABLE failed to meet its target (The City of New York Office of the Mayor, 2013). (See also MDRC 2016b, 4; Center for American Progress 2012, 14).

MDRC writes:
“In most loans, the bank uses the likelihood of repayment to calculate its level of risk. In the New York City deal, the profit Goldman Sachs could receive was not high enough to justify the high level of risk it perceived regarding repayment of the $9.6 million loan. The city was willing to agree to a maximum profit of $2.1 million. In an effort to balance the risk/reward trade-off, Bloomberg Philanthropies provided a $7.2 million grant to MDRC to act as a loan guarantee and reduce Goldman Sachs’ risk. This loan guarantee ensures that Goldman Sachs will only experience a partial loss if the program fails to produce the required impacts. The loan guarantee does not eliminate Goldman Sachs’ risk; it only reduces it.” (MDRC 2013: 24-25).

Bloomberg Philanthropies committed to a £5.1 million [$7.2 million] loan guarantee for Goldman’s £6.8 million [$9.6 million] investment. This reduced Goldman’s actual risk capital from £6.8 to 1.7 million. In the case of programme success, the loan from Bloomberg Philanthropies to MDRC will be used by held by the latter organisation and earmarked for future pay-for-success programmes (MDRC 2013: 25).

The second measure was also taken by Bloomberg Philanthropies, and involved a grant to MDRC for its costs incurred for its ‘intermediary’ work. These often overlooked costs removed a direct expense by the City government, but meant that the SIB was being subsidised by a third party and not fully funded by the SIB financing mechanism, as claimed.

As “evaluator” Vera would assess RBDs in a “quasi-experimental evaluation” comparing the outcomes of the ABLE programme cohorts to a historical comparison group (MDRC 2013: 20). The selection of the control group will use the same method as used in the Peterborough programme, namely, Propensity Score Matching (MDRC 2013: 20). The
cohorts will be evaluated at 12 and 24 month intervals, and the investor – rather than city government – will have the opportunity to decide whether it would like to continue the project for a fourth year (MDRC 2013: 25).

6.4. Governing the economic crisis: the strategy of producing ‘shared value’
This section describes the third dimension of the New York City case, namely the ‘economic dimension’. As described in Chapter 2, this concerns the way the NYC SIB responds to economic problems and seeks to restore profitability and accumulation, while simultaneously addressing issues of capital concentration and material polarisation. Here, it is situated within the processes of economic restructuring since the beginning of the ‘multiple crisis’ in 2008.

My account builds upon the theoretical work done by Dowling and Harvie (2014), wherein SIBs represent a ‘promise’ to resolve the ‘capitalist accumulation crisis.’ In the context of slow growth, opening the “potential” of social policy “to provide new investment opportunities for capital”, it is assumed that this may help “drive economic growth and restore profitability” (Dowling & Harvie, 2014, pp. 5–7). But I expand the focus to show how this first aspect of economic management is connected to an equally important second aspect, namely to reduce economic polarisation. The critical political economy literature understands the accumulation crisis as one of over-accumulation, identifying its cause in the structural socio-spatial unevenness and instability inhering in the capital relation. As Harvey (2010, p. 45) explains, the breakdown of capital circulation in the global financial crisis was the result of an incapacity to productively link surplus capital with surplus labour, which sat idly side by side. But the economic strategy of SIBs, as I show here, involves not just growth, but the effort to create ‘inclusive growth’. As an economic strategy then, I focus not only on the effort to restore economic growth, but the
idea of ‘producing shared [economic] value’, which aims to ‘blend fiscal and social returns.’

As in the previous sections, this one is organised into three parts, with the first analysing the economic discourse of ‘shared value’. The second section describes how these are translated into knowing and governing practices for measurement purposes. The third and final section describes the social practices used towards delivering the shared value objectives.

As in the previous sections, I focus on the ambiguity of these efforts, the presence of multiple narratives and strategies, including both an orthodox neoliberal strategy of market-based profitability schemes, as well as its alternative, focusing rather on use value instead of exchange value. I describe the encounter between these competing strategies, and the production of a consensus between them, a provisional compromise that nevertheless contains yet subdues persistent tensions, and eventually displaces unresolved problems.

6.4.1. **Narrating the economic strategy: ‘creating shared value’**

The NYC SIB’s discursive intervention into the economic crisis has two parts, namely economic growth and shared prosperity. The production of ‘shared value’ is meant to create ‘blended returns’ with ‘financial and societal benefits’.

**Value Creation**

A critical component of the SIB’s economic narrative is the creation of value, expansion, and growth. The NYC SIB offered private investors the possibility of increasing their wealth. As described below, Goldman Sachs could expect a profit of £356,000 [$500,000] on its original £6.8 million [$9.6] investment if recidivism was reduced by more than 10% at Rikers Island, and a return of up to £1.5 million [$2.1 million] if reduced by 20% (Von

The idea of expanding investor values in the SIB arrangement, was based on a well-established practice within neoliberal governance regimes through the transfer of public assets into private hands (Harvey, 2005, p. 161). As investor in the New York City SIB, Goldman Sachs had the opportunity of increasing its capital by ‘capturing’ a portion of government savings that could accrue from cost-cutting efficiency reforms in social policy.

As the McKinley think tank explains: governments are “capturing [financial] benefits” of SIB programmes and “[r]epaying investors from realized cash savings” (McKinsey & Company, 2012, p. 37). In the words of the city, profits come from “capturing government savings that result from successful preventative programs and other initiatives” (The City of New York Office of the Mayor, 2013). These profits are paid by the government which “capture[s] savings when a less expensive preventive program replaces a more expensive remedial program” (McKinsey & Company, 2012, p. 37). In this arrangement, “a dollar value can be attached to the [social policy] outcome” (MDRC, 2016b, p. 10) to be shared with investors. To do so, the government must “quantify likely savings” in order to calculate the pay-out of “public dollars” (MDRC 2016: 12) to private investors. McKinsey writes: “Social impact bonds (SIBs)
monetize social outcomes by capturing the value between the cost of prevention now and the price of remediation in the future” (McKinsey & Company, 2012, p. 66).

The transfer of public assets into private hands is promoted through the commodification of social policy performance. This involves the construction of a ‘new asset class’ (Center for American Progress, 2012, p. 29; JP Morgan Global Research, Rockefeller Foundation, & Global Impact Investing Network, 2010) whose value is based on the risk versus returns assessments of the ‘outcomes’ of a specific social policy intervention. This new product is a financial instrument providing investors ‘exposure’ to the performance of particular social policy projects.

Yet, as I now go on to explain, the narrative of value creation is not limited to the financial rewards that would accrue to investors alone, but under the term ‘shared value’, implies mutual benefit for both private investors and public authorities, so that the latter complete the deal with a net fiscal savings after having made ‘outcome payments’ to investors.

**Value sharing**

Though I’ve presented value creation and value sharing in separate sections, the idea of value sharing is not secondary to value creation, but conceptualised and situated within the project as an intrinsic component of value creation.

Against the background of a ‘negative compromise’, where increasing financial returns were achieved for a decreasing minority of people through the reduction of living standards for a growing majority (in the lead up to the 2008 crisis), the SIB claims to go beyond such a destructive zero-sum game, presenting an ‘imaginary solution based on the
idea of ‘shared value’. This ‘positive compromise’ presents the idea of a financial instrument that brings mutual benefit for investors, government, and the investees.38

Framed as a ‘public-private partnership’ (Olson & Phillips, 2013, p. 97), the SIB was said to bring mutual advantages for the private investors, government, and society. In an interview, Alicia Glen of Goldman Sachs frames the company’s social investment projects in terms of mutual benefit for the firm and society, saying:

“Smart, progressive banks do not need to be an oxymoron. (…) We’re trying to use our capital to do important and interesting things. On our projects, if they don't make money, then nobody’s going to do more of them. If we make solid returns and have made a significant contribution, we’re going to get more money” (Goldman Sachs, 2013).

Responding specifically to the poor public image of Goldman Sachs since the government’s rescue of the firm, she says: “We’re not all evil squids. We’re nice little calamari” (ibid).39

Glen seeks to frame the firm in direct contrast, as being mutually beneficial to both its investors and society, involved in projects that create ‘shared value’. Yet the economic strategy of the SIB is not solely driven by investors, but also by a certain regulatory approach advanced by government, which is trying to guide private investment into SIBs and similar impact investment markets as forms of ‘responsible’ or ‘inclusive’ economic strategies. This is an important aspect of the New York City SIB, as Goldman participated

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38 Erik Olin Wright discusses the difference between "negative" (i.e. “zero-sum”) and "positive" (i.e. “mutually beneficial”) compromises (Wright, 2012).

39 Glen is responding to a specific remark by Matt Taibbi, which received wide coverage and was deeply situated in public consciousness, namely: “The world's most powerful investment bank is a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money” (Taibbi, 2010).
in the project through its Urban Investment Group (Olson & Phillips, 2013), which invests funds exclusively in state-sanctioned ‘community reinvestment’ activities. As a recipient of government stimulus funds following the financial meltdown of 2008, Goldman was required to invest a portion of its capital into such CRA-defined projects. Hence, the SIB was not built solely on the profit-motives of the individual investor alone – in this case Goldman Sachs – but through state efforts to build “shared value” projects, market-centric initiatives that are supposed to bring social and financial rewards for society as well as investors.

“Shared value” is a central element of the economic argument of the NYC SIB, for it promises not only social benefits to society, e.g. through reduced reincarceration levels, but also net fiscal savings to government and private financial rewards for the investor. This monetary benefit results from the fact that the investor absorbs only a portion of the gross government savings expected from the ABLE programme, leaving a share to government as net savings. The Center for American Progress writes, for example, that only “[a] portion of any financial savings that result from an outcome being successfully achieved will be used to pay back investors for sharing the risk and providing the upfront capital to get the initiative off the ground” (Center for American Progress, 2012, p. 15). New York City government articulated the same argument writing that just “[a] portion of these cost savings will be returned to MRDC [sic] to both repay the upfront investment and provide a potential return on investment” (The City of New York Office of the Mayor, 2013). And Third Sector Capital Partners wrote that “investors receive a pre-determined payment representing a share of the cost savings for the government” (Von Glahn & Whistler, 2013, p. 60).
6.4.2. Measuring ‘shared value’

The discourse of ‘shared value production’ presented above, was transformed into knowing practices and technologies to conceptualise, organise, and structure data and social practices related to it in the NYC SIB by developing an internal relation between private profitability and social improvement, by pinning investor outcome payments to social policy performance (Dowling and Harvie 2014: 13). This contrasts to the traditional charitable operation or even corporate social responsibility, where profitability and contributions to social improvement were activities external to each another. With SIBs, we can take this argument one step further. Not only is the profitability of private investors dependent upon the achievement of ‘social impact’. It is also dependent upon the SIB’s creation of financial rewards for public authorities, ‘shared’ between government and non-governmental investors. This goal involves measuring technologies to quantify total savings in relation to different levels of ‘social impact’, to proportion the division of sums between public authorities and private investors, and to determine time-frames for potential pay-outs.

The financial instrument bringing these elements together in NYC was the social policy derivative, as it provided investors with ‘exposure’ to the performance of a particular social policy project. As Bryan and Rafferty (2014, p. 892) explain, “with derivatives, one trades in the performance (shift in the quantum) of an attribute of a thing, but without necessarily trading in the ‘thing’ itself”. This ‘thing’ is ‘social impact’, designed in the NYC case to be the reduction in recidivism, measured according to the ability of ABLE to reduce “readmission bed-days”.

Sources of value and profit
As in the Peterborough case, the sources of private profit in the NYC case were to come from savings from reduced recidivism. Whereas the Ministry of Justice was to pay investor return from cross-departmental savings expected to result from fewer “reconviction events”, the New York City Department of Correction was to pay outcome payments generated from a more narrowly focused budget, namely from the operational savings at Rikers Island resulting from reduced “future bed stays”. As MDRC wrote: “Gross taxpayer savings are purely operational savings within the jail system” (MDRC 2013: ES-8, 19), and it is a portion of these that would be returned to the Goldman Sachs in the case of a positive social outcome.

Yet, in both cases we see the subsidisation of investor returns. Whereas the BIG Lottery Fund subsidised the Ministry of Justice's outcome payments in the case of a positive social outcome, Bloomberg Philanthropies acted as a third party in the NYC case to provide outcome payments in the case of a negative social outcome. That is, while the Department of Correction held full responsibility for paying investor returns in the case of “social impact”, the mayor’s personal (purportedly charitable) organisation drastically minimised the investor’s loss in the case of ABLE’s failure.

6.4.3. Producing ‘shared value’

The intended plan for shared value production was published by the Mayor’s Office, MDRC, and Goldman Sachs (Bloomberg, Michael & Gibbs, Linda, n.d.; MDRC, 2013b; Olson & Phillips, 2013; The City of New York Office of the Mayor et al., 2012). In a table published in documents published by all of these actors, they listed the different payoff levels and corresponding government net savings for eight potential levels of recidivism reductions. MDRC and the NYC Mayor’s Office generated the figures in the table “Summary of Payment Terms by Impact”. The table lists in three columns the
“recidivism reduction rate”, and the corresponding “Department of Correction Success Payment” and “Net Projected Taxpayer Savings”.40

This table (MDRC, 2013a, p. 19) provides the following figures: Investors would break even if they reduce recidivism by 10% and the city would achieve up to £700,000 [$1 million] in net savings (after making outcome payments). Between 8.5 and up to 10% investors receive 50% of their investment back, and the city would receive a net savings up to £700,000 [$1 million]. This was meant to present a gradual, rather than sharp, drop off in repayments in order to mitigate investor risk. At 10% reductions Goldman would retrieve its full investment. Between 11 and 20% reductions, it would receive an increasing share of the expected savings, between £7.1 and £7.9 million [$10 and $11.7 million] as a maximum possible pay-out: at 11% reduction, they receive £7.1 million [$10 million] back on their original £6.8 million [$9.6 million] investment, with the city retaining £1.2 million [$1.7 million] in savings. At 20% reductions the investor would receive £8.3 [$11.7 million] and the city £14.6 million [$20.5 million]. In figure 4 (below), we see the figures of investor returns and government savings for different levels of reductions.

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40 According to the table, this net savings "accounts for the DOC success payment and continued program operation for two additional years (Year 5 and Year 6)".
6.5. **Contradictory outcomes of the New York City SIB**

In this chapter, I described the strategy of the New York City SIB in the crisis conjuncture of neoliberal hegemony. As described in chapter two, I was concerned about the iterative process of political economic development and changes in hegemony as seen through the policy development of the ‘social investment market’ and the effort to advance new approaches through the idea of an ‘ethical capitalism’. I analysed the policy as an intervention into three ‘objects’, namely the social, fiscal, and economic crisis, as described in the methodology chapter (chapter three). This involved efforts to reshape these objects through three modes of steering. I explained this discursive and material structuration process by focusing on discourse, knowledging technologies, and social practices. But, following the theory of hegemony presented in chapter two, I discovered within the policy process a set of conflicts between competing ideas about how to reshape these objects, challenging the notion that policies follow a singular logic. Drawing on HMPA, I presented the case as an encounter between competing ‘hegemony projects’ with diverging ideas about preferred forms of social, fiscal, and economic restructuring.
As described in detail in the following chapter, this was an encounter between market-centric conceptions of policy on the one side, advancing individualist solutions to social crises, austerity approaches to fiscal challenges, and private investment schemes to address economic problems. But drawing on HMPA, I also showed the SIB to be a ‘strategic terrain’, perceived by advocates of market-constraint, for the pursuit of goals in the opposite direction. Though these were more diffuse, they nonetheless were present, for example, in discursive fragments representing incarceration as a socio-economic problems. Progressive perspectives were also seen in the way fiscal problems were conceptualised as a problem of resource distribution, rather than according to an austerity scarcity logic. And these were also seen in narrative of ‘shared value’ which points in the direction of an economy based on human need, rather than centred on the accumulation of exchange value.

In the present chapter I also showed, however, the way ‘structural selectivities’ shape the terrain upon which strategic action takes place and limit the possibilities for change. Actors supporting the different ideas represented above did not encounter one another on symmetrical grounds but instead had different resources for the operationalisation of their goals. But this did not occur through the exclusion of the opponent (alone), but also through their selective incorporation and reworking in order to correspond with a market-centric structure of politics, and particular interests. Hence, the process of ‘complexity reduction’ created a passive consensus and provisional compromises favouring neoliberal governing practices, just as it was based on a material substratum allotting certain (limited) concessions to the junior partners in such alliances. The incorporation of progressive actors into such arrangements is a reflection of their weak status in the overall balance of social forces and the specific political context, and their weak steering
capacities due to their fragmentation. Progressives are able to achieve certain immediate material concessions, but their capacity, through the use of strategic action, to achieve larger goals and shift the political trajectory was shown in this case study to be strictly limited. This concluding section describes these dynamics in detail.

6.5.1. Social outcomes: no impact on reincarceration levels
As in the Peterborough case, the New York City Social Impact Bond was prematurely terminated. However, rather than external factors, the NYC SIB collapsed because of internal factors, namely its failure to achieve the slightest reduction in reincarceration. In its evaluation of the project, Vera (2015b) described the Rikers Island programme as having no effect upon recidivism: “The change in recidivism for the eligible 16- to 18-year-olds, adjusted for external factors, was not statistically significant when compared to the matched historical comparison group,” the group wrote. The SIB “did not reduce recidivism and therefore did not meet the pre-defined threshold of success of a 10 percent reduction in recidivism bed days” (ibid). The organization found no difference between “the number of days that members of the study group were held in the jail during the 12 months following their release from Rikers” compared to a group which did not participate in the ABLE programme (Vera Institute of Justice, 2015b, 2016b). Neither was the missed target due to low participation rates (which was 87%), nor poor performance as 44% of participants reached at least one ‘milestone’ (Vera Institute of Justice, 2015b, 2016b). Vera did not discuss reasons for programme failure in this report. The failure to create ‘social impact’ led Goldman to decide against a final year of behavioural therapy, and terminated the SIB on August 31, 2015 (Vera Institute of Justice, 2016b, p. 21). As described in the next section, no outcome payment was made by the city to the investor, limiting the public’s fiscal liability to a minimum. However, the
investor had its risk capital steeply reduced through a loan guarantee issued by the Mayor’s personal foundation, Bloomberg Philanthropies (see below).

As described above, the NYC SIB failed to reduce recidivism through the use of behavioural modification therapy at Rikers Island. Similar to Peterborough, it focused on personal behaviour, but it was even more narrow in its removal of material factors from consideration in any regard. Yet, as the project was completed, competing assessments of its failure led to new tensions in the policy coalition and the breaking up of the passive consensus underlying it. The Osbourne Association (2015) placed blame for the failed project on its narrow focus, emphasising the need for “comprehensive services and support”, and identifying the socioeconomic issues as a central problem, such as the inability of “many [persons] to afford bail”. The youth needed more services, including “mental health care, drug treatment and housing assistance” to ensure their resettlement in communities (WNYC, 2015). It was “irresponsible to provide one service to children in jail, and not to provide any kind of discharge planning or support upon release”, an interviewee at the organisation told me (personal communication, The Osborne Association, 2016).

The project’s individualist focus was also criticised by some media voices: The local news website, City Limits (2015), also questioned “whether the experiment framed the policy issue properly”. It criticised the focus on social skills, the city’s “mass arrest policy” and called for an approach to the social crisis based on “public investment in schools, jobs, social programs and innovative criminal justice” (ibid). The labour union AFSCME (2015) criticised the SIB in a similar way, writing it “limited the conversation about solutions”, privileged “interventions” that “do not address the root causes” such as
“structural inequalities” which instead “require investments and policy changes on multiple levels”.

But these social critiques were marginalised by an individualist framework advanced by the Mayor’s Office, Bloomberg Philanthropies, Goldman Sachs, and other actors of the ‘social finance industry’ (Rosenman, 2017) who dominated the SIB discourse.

MDRC defended “cognitive behavioural therapy” and placed the blame on Rikers’ “challenging environment” (MDRC, 2015b). Discontinuities and disruptions due to security issues and the conflicting social pressures (such as gangs) make it difficult for persons to internalize and practice “personal responsibility and sound decision making” (MDRC, 2016b, p. 6). One interviewee with MDRC emphasised the difficult for people with “weak social capital” (personal communication, MDRC, 2016a). Goldman Sachs and Bloomberg Philanthropies (2015) framed the conversation on the popular liberal website The Huffington Post in a similar way, arguing the problem was the difficult social “environment” of the prison facility. The organisations defended behavioural approaches and praised the “unique financing model” which “stands ready to help public sector leaders finance more efforts to better serve people who need support and better results” (ibid). Another Huffington Post (2015) article defends the behavioural approach and criticises its “implementation”, calling the SIB a “good failure” which is “a step on the path to progress”.

If SIBs are supposed to test the effectiveness of different possible social programmes, the market mechanism selecting for the most competitive programme, and project management and measurement techniques placed under a mechanism to select for the most effective ones, one may conclude that the behaviourist programme may come under criticism, and that alternative programmes might be considered. But the discursive
boundaries were defined by advocates of individualist rather than structural approaches, which constrained the learning process and potential for change, leading to technocratic managerial tinkering with the narrow model.

**6.5.2. Fiscal outcomes: hidden costs**
As a fiscal strategy, the NYC SIB was framed as a way to address contradictions within a narrow fiscal policy corridor where “tight fiscal constraints” collided with intensifying social crises. In this context, city government sought to address reincarceration rates and refused to accept the narrative of capital scarcity. The SIB allowed it instead to acknowledge the problem as one of resource maldistribution, in which public fiscal deficits stand alongside private capital surpluses. However, the City refused to generate revenue for these interventions by taxing the “new pools of capital”, and instead sought to address the unmet needs of “underserved communities” by “leveraging private capital for public good” through a private incentivisation scheme.

Because of the financial mechanism the negative social outcomes were intended to protect the public from financial risks. MDRC (2015b) wrote: “[T]he program did not lead to reductions in recidivism for program participants and the program did not meet the target required for the City to pay the investors”. According to Vera (2016b, p. 21) then, “the social impact bond funding mechanism operated as intended”. MDRC (MDRC, 2015b) wrote similarly, that “the City is not paying for a program that did not produce results — a positive outcome for the City and taxpayers”. Goldman Sachs and Bloomberg Philanthropies also wrote that in the case of missed social targets, “the investor loses their money with no burden on taxpayers” (Bloomberg Philanthropies & Goldman Sachs, 2015).
These statements are strongly misleading. While it is true that no outcome payments were made by the Department of Correction, there were other financial flows that were not accounted for in the total costs of the programme, but are saddled by other parties, including public authorities or philanthropies. First, neither MDRC’s expenses for project management nor those of Vera for project evaluation were covered by Goldman (MDRC, 2013a, p. 53). MDRC’s operating expenses were covered by grants from Bloomberg Philanthropies, as one MDRC interviewee (2015a) told me. This raised the overall cost of the project which was not covered by the investment. Nor were Vera’s expenses covered by the investment but were instead quietly absorbed by city government. I found no documentary sources of this transaction, which was revealed to me only by an interview partner at Vera (personal communication, Vera Institute of Justice, 2016a).

These hidden administrative costs convey an inconsistency in the fiscal strategy where programme costs are not saddled by investors but absorbed in unknown sums by public authorities and third party actors. But this problem is not addressed by post-project evaluations, and is likely to persist in future SIB projects.\(^{41}\)

**6.5.3. Economic outcome: private absorption of philanthropic resources**

In this third dimension of the NYC SIB, I look at the outcome of the economic strategy of creating ‘shared value’. As explained above, the Department of Correction was not responsible to pay Goldman outcome payments on the failed social project. However, if public authorities were not to mitigate investor risk, Goldman secured a significant loan guarantee from Bloomberg Philanthropies to drastically lower its financial losses. As discussed above, the investor had its losses reduced to 17% of its principal (Bloomberg

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\(^{41}\) Hidden administrative expenses, not accounted for by investors, has only been discussed at the margins of the literature of the ‘social finance industry’ (McKinsey & Company, 2012) and by critics (see McKay, 2013, 2014).

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Philanthropies & Goldman Sachs, 2015). The exact financial outcome for the firm could not be exactly determined, due to tax breaks discussed above, and require further investigation. The main conclusion in regards to the economic strategy is however that the investors were able to limit their risk exposure by absorbing philanthropic resources.42 Hence, as in the Peterborough case, the economic practice of the NYC SIB did not produce ‘shared value’, but instead shifted resource to investors to limit their financial damage from a failed investment.

6.6. Conclusion
This chapter analysed the first Social Impact Bond in the U.S., developed in the aftermath of the financial meltdown of 2008 and the persistent crisis of neoliberal hegemony, and which was implemented between 2012 and 2015 at Rikers Island jail in New York City. The SIB has been conceived at the intersection of three developments concerning social, fiscal, and economic policy. The first regards social regulation, and the expansion of “preventative” services to address the social crisis of mass incarceration, caused by economic recession and welfare retrenchment. I’ve framed this as a form of poverty management rather than alleviation, which provides intentionally narrow, psychological and behavioural modification, to prevent people in precarious socioeconomic and repressive situations from returning to jail. While this decarceration goal appears as a corrective to established pattern of ‘prisonfare’, and the limited roll-back of the penalisation of poverty, it involves the roll-out of invasive control mechanisms, seeking to minimise the risk of re-offending by making personal coping strategies more effective,

42 Unfortunately, this issue could not be further investigated as Goldman Sachs did not respond to repeated interview requests.
rather than alleviating the negative pressures causing the cycle of incarceration in the first place.

The failure of the ABLE programme to reduce reoffending in New York City has provided the opportunity for a critical assessment of individualised poverty management approaches, yet the assessments produced by the dominant policy actors limit the bounds within which lessons might be learned, that could take policy makers to assess the socio-economic and criminal justice policies causing high rates of reincarceration among low-income young men of colour.

The project’s fiscal strategy also reflects a broader political effort to address public sector funding gaps caused by austerity, and the increasing need for public assistance. This involves the effort to incentivise private investment to fill public funding gaps, aimed at financing necessary services, thought to create “shared savings” for public authorities, which can be shared with private investors as return. While this strategy appears as a corrective to a strict policy of fiscal consolidation and welfare retrenchment, the narrow ABLE programme failed to produce the hoped for savings. Contrary to claims that financial risk would be shifted onto the private sector, Goldman had its losses sharply reduced by public and third-party actors who absorbed partial losses for the ineffective program, through development grants, and a substantial loan guarantee.

The economic policy outcomes constitute the third and interlinked dimension of the project. Here, the SIB was framed as a way of “creating shared value” in a situation of low and uneven growth benefitting top earners at the expense of the vast majority of the population. Here the SIB expresses the idea of the social investment market in creating “blended social and fiscal returns”, of aligning investor and societal interests, and achieving a harmony between these in place of a zero-sum game. This discourse also
resonates because it appears to be a needed corrective to both the economic slump and
the destructiveness of many aspects of neoliberal accumulation, particularly in the
aftermath of the foreclosure wave, the financial meltdown, and the loss of jobs, personal
savings, and pensions. However, I have shown the third party risk mitigating measure and
public absorption of programme costs did not materialise the idea of “shared value”.
Goldman’s losses were largely absorbed through the shifting of public and third party
assets into the investor’s hands, as a form of what Harvey calls “accumulation by
dispossession.”

Yet, despite the NYC project widely missing its social impact target, SIBs appear to “fail
forward” (Peck, 2012b, p. 6), allowing “manifest inadequacies [to] animate further rounds
of neoliberal innovation”, rather than reflection and a change of policy direction. This
point is discussed in the following chapter.
7. Chapter 7 – Analysis: SIBs and the contradictions of ‘progressive neoliberalism’

This chapter presents my main research findings about SIBs as part of the struggle over hegemony in the context of neoliberal crisis. It advances the thesis that SIBs may be understood as a ‘progressive neoliberal’ compromise.

My research investigation is concerned with the changes and challenges to neoliberal hegemony during the post-2008 crisis conjuncture, as described in chapter 1. As I stated there, my aim was to elucidate the efforts to advance an ‘ethical capitalism’ in the face of the deep disruptions of market governance and the blocked transition of a post-neoliberal development. I selected the ‘social investment market’ as my object of research and conducted two case studies of social impact bonds, in Peterborough U.K. and New York City. These described efforts to link market modes of governance with new notions of public responsibility. I investigated these concrete policy experiments as an encounter between competing ideas and visions of societal restructuring, and at the intersection of social, fiscal, and economic policy. I described as SIBs contingent assemblages between market-centric ideas on the one hand, and efforts to re-embed the economy in forms of public accountability. The analysis focused on the negotiation between different approaches, in setting the discourses, knowledging technologies, and social practices that determined how social, fiscal, and economic objects of intervention were to be governed. I showed how the achieved provisional settlements rested upon power imbalances in the situation, and how uneven outcomes were produced. Finally, I discussed the way these compromises tended, in many ways, to displace rather than resolve the problems they set out to address.

This section takes this analysis further by proposing that SIBs, the ‘social investment market, and the idea of ‘ethical capitalism’ be understood as a ‘progressive neoliberal’
compromise, based on asymmetrical power relations, producing uneven outcomes, and whose status is instable. This thesis counters two dominant positions in the literature on SIBs and wider research on ‘ethical capitalism’. Namely, it challenges on the one side, the popular conception of SIBs as a harmony between government, market, and society (presented especially in the literature of the ‘social finance industry’ (Rosenman, 2017)), as well as their conception in one-side terms as the ‘colonisation of society by finance’ (Chiapello, 2015) (see also Dowling & Harvie, 2014; Schram, 2015; Whitfield, 2012b)). Instead, I argue that SIBs are an encounter, negotiation, and contingent assemblage of a provisional and asymmetrical compromise (with uneven outcomes) between multiple ‘hegemony projects’, each seeking to use the policy as their ‘strategic terrain’, for the achievement of their opposing political visions of restructuring. They favour market-centric forms of restructuring while simultaneously offering advocates of progressive alternatives some material concessions in the pursuit of their goals of re-embedding the economy in political and ethical considerations.

The chapter advances this thesis in the following way. First, I discuss how I used my theoretical and methodological approach to analyse my research object. This discusses the use of CPE to conceive of the dynamic process of development, the production of hegemony, the role of discourse and structuration, and the idea of provisional compromises. These are enhanced, as described in chapter two, by historical materialist policy analysis, both by its concept of ‘hegemony projects’ and in its understanding of policy as a ‘politico-strategic terrain’ to advance them.

Afterwards, I provide a case comparison to depict the contours of the ‘progressive neoliberal’ compromise, as an asymmetrical and unstable settlement between an ‘orthodox neoliberal’ hegemony project on the one side and a ‘progressive post-
neoliberal’ on the other. In the final section I discuss the future of SIBs, between ‘failing forward’ and breaking apart.

7.1. Theoretical and methodological reflections: Cultural political economy and historical materialist policy analysis

This section describes my operationalisation of the cultural political economy approach and historical materialist policy analysis, as described in chapter two. It explains how I arrived at my unique research findings through CPE’s dynamic theory of hegemony production as an iterative and contradictory process of development, and HMPA’s concern with competing ‘hegemony projects’ and the notion of policy as a ‘politico-strategic terrain’ for their advancement. This section sets the ground for the main part of this chapter, where I present SIBs as an asymmetrical and unstable ‘progressive neoliberal’ compromise advancing the orthodox neoliberal hegemony project through the incorporation of selected elements of its ‘progressive post-neoliberal’ alternative (Peck et al., 2010, p. 112).

In my analysis, I described Social Impact Bonds as part of the iterative process of post-2008 political development and the renegotiation and reproduction of hegemony. This drew on CPE and HMPA’s common theoretical bases in Marx’s critique of political economy and Gramsci’s concept of hegemony, and their mutual borrowing from Foucault’s understanding of knowledge and power, as described in chapter 2. SIB’s were contextualised as a response to the manifold crisis of neoliberalism, and as a response to three aspects of it.

The theory of cultural political economy was critical for the investigation of SIBs as it allowed me to locate this policy as part of the conflictual reproduction and reconstruction
of hegemony following the financial meltdown of 2008. Its theory of change and stability allowed me to analyse SIBs as part of the contestation between competing crisis discourses and efforts to re-shape the forms of future political economic development. CPE’s concept of hegemony was critical for the investigation because of its attention to the way consent was produced out of the multiple perspectives and among competing social forces. Its focus on both the discursive and material moments of these processes helped me to reconstruct the policy as a dynamic process. I was able not only to identify competing narratives within the policy process, but also show how this variation was reduced, and how these ideas were transformed through knowledging technologies and supported specific kinds of social practice and forms of collective action. In doing so, I was able to provide thick descriptions of how a coalition of actors in government, the private sector, and society came together to respond to multiple problems by linking market modes of governance with new notions of ‘public responsibility’.

My analysis followed a central idea of CPE, namely, that hegemony struggles are fought around ‘objects of intervention’, which competing actors seek to discursively and materially remake through different modes of steering. I identified three central objects of steering through an iterative process combining deductive and inductive reasoning, drawn from theory, literature reviews, and from my own data analysis, as described in chapter three. These objects included the ‘social’, ‘fiscal’, and ‘economic’ crises. My analysis described not the selection of these objects for discursive and material reshaping, but the struggle between diverging positions as to how these should be reshaped, in two case studies in Peterborough and New York City.

I analysed such processes in the case studies with reference to three modes of steering, namely discourse, knowledging technologies, and social practices. This allowed me to
reconstruct the process of ‘complexity reduction’ whereby consensus was formed out of a multiplicity of perspectives, and social compromises were achieved between multiple actors, including their material substratum.

But this framework of analysing the encounter, negotiation, and compromise between competing views was made more specific by the enhancement of CPE by HMPA. The latter allowed me to identify the political character of the diverse positions advanced by the different actors and to present their compromises as provisional settlements between competing political visions. This was possible through the latter’s concept of ‘hegemony projects’, and its understanding of policy as the ‘politico-strategic terrain’ upon which such projects are advanced by competing actors.

In particular, I revealed SIBs to be a political encounter between an orthodox neoliberal hegemony project seeking restoration through expansion, a progressive post-neoliberal project seeking, in various ways, to re-embed the economy in notions of public responsibility and forms of public accountability. This research finding was achieved by reliance on HMPA’s heuristic theorizing (Beauregard, 2012), which is concerned with the categorisation of complexity according to political content. As described in chapter two, this involves identifying elements of the analysed processes and relating them to the competing political forces involved in the dynamic restructuring of the political economy.

This allowed me not only to identify the central policy object around which the restructuring was occurring in the case studies, but the competing visions of this restructuring, and the concessions each ‘hegemony project’ accepted in the achievement of compromise. This is elaborated in the sections below. As we see there, I focus on the ‘social’ object of intervention (incarceration) as a contest between competing ideas of ‘social impact’, namely, between social fragmentation belonging to orthodox
neoliberalism, and social protection belonging to progressive post-neoliberalism. I argue similarly that the struggle over the fiscal object of intervention is a competition between progressive ideas of public-private rebalancing on the one side, and ideas of neoliberal austerity on the other. Finally, I argue that the concept of ‘creating shared value’ equally is a contest around an economic object of intervention, and the negotiation between progressive ideas of need-based economy, and those of private accumulation of a market-centric project.

Furthermore, I drew on both CPE and HMPA’s understanding that this encounter and negotiation occurs on an uneven terrain of a biased context with ‘structural selectivities’ favouring certain strategies over others (see chapter two). This provides certain advantages to some strategic over others but it does not determine outcomes. This allowed me to both identify the often overlooked ‘progressive’ elements in these projects, while simultaneously identifying their constraints. I described SIBs as a provisional and unstable compromise between social forces in aftermath of the financial meltdown, the persistent crisis of neoliberal hegemony, and the continued blockage towards a progressive post-neoliberal transition. In the concluding chapter, I argue that this asymmetrical compromise is a contingent assemblage of the immediate post-2008 political conjuncture, and may be understood as a form of ‘passive revolution’, whereby elements of neoliberalism’s opposition are selectively integrated into it as an attempt to achieve its restoration. At the same time, I argue that advocates of a progressive post-neoliberal hegemony project may have found circumscribed advantages in such provisional alliances. Yet, ten years since the financial crisis, such assemblages may be coming to an end, as the political context appears to be changing.
7.2. Competing hegemony projects in the case studies
The previous section presented the main thesis of this chapter, namely that SIBs are a provisional and unstable ‘progressive neoliberal’ compromise in the context of the crisis of neoliberal hegemony. Before demonstrating this thesis through the case comparison, it is helpful here to frame the following discussion. As discussed above, I analyse SIBs in relational terms. In the case comparison I explain efforts to link market governance with notions of ‘public responsibility’ as a relationship between competing hegemony projects. Conceived as ‘politico-strategic terrain’, I argue that SIBs are perceived by different actors as holding potential advantages for them, as well as limitations, in which they become involved in, with the aim of operationalising immediate, mid-term, or long-term objectives. I describe SIBs in the following case comparison as an encounter and negotiation between policy actors of different hegemony projects, competing over the “[f]orms of restructuring” and “the future trajectory of the state” in its integral sense (Hay, 1999, pp. 330–331). This allows me to present an alternative explanation to a static conception of SIBs as a policy ‘instrument’ in terms of a singular, closed, and harmonious arrangement of ‘aligned interests’. Instead, I emphasise the contingent assemblage of diverging ideas, drawing attention to difference, conflicts and contradictions within this policy. I present SIBs as a social relationship between two opposite hegemony projects, and their provisional compromise. The SIB is an encounter and struggle between advocates of market expansion on the one hand, who work together on a provisional basis with actors seeking to ‘re-embed’ the economy (Polanyi) in structures of public accountability, on the other. These competing initiatives are described as belonging to an ‘orthodox neoliberal’ hegemony project on the one side and a ‘progressive post-neoliberal’ (Peck et al., 2010, p. 112) hegemony project on the other.
The *orthodox neoliberal hegemony project* is understood as an effort to increasingly expand market modes of governance into evermore areas of social life (Gill, 1995; Harvey, 2005; Jessop, 2002b). Brenner, Peck, and Theodore (2010b) define neoliberalism as “market-disciplinary regulatory restructuring”. This project advances deregulation, privatisation, the roll-back of social protections, commodification of public goods, financialisation, de-unionisation and the internationalisation of production and policy-making. It involves the centring of market ideas in politics and the de-centring of ethical concerns, or as Davies (2017, p. 6) writes, the “disenchantment of politics by economics”. Since 2008, neoliberal hegemony has been advanced through fiscal austerity and welfare retrenchment, which have socialised losses and privatised gains.

The second hegemony project which I identify in the case studies is the ‘*progressive post-neoliberal*’ hegemony project. (Peck et al., 2010, p. 112) spanning from market-restraining to market-transcending initiatives (N. Brenner, Peck, & Theodore, 2010a, p. 341). These include neo-Keynesian economic proposals to ideas about a Green New Deal (Jessop, 2012), efforts to expand social protections, de-commodify social goods, debt cancellation, progressive taxation, investments in public works, democratisation of policy making, and social and ecological transformation (Brie, 2009; Institut für Gesellschaftsanalyse, 2011; Kannankulam & Georgi, 2014, p. 66; Solty, 2011). It includes “social democratic, solidaristic, and/or eco-socialist model[s] of regulation” (N. Brenner et al., 2010a, p. 342). Such ideas are present in social, labour, and environmental movements, as well as being diffused throughout society’s governing and civil society organisations. Since 2016, they have influenced political parties as well, with the U.K. Labour Party’s leftward shift under Corbyn’s leadership (Seymour, 2016), and the U.S. Democratic Party due to the pressure of Sanders’ grassroots movement (Rehmann, 2016).
The case comparison below describes how elements of each of these hegemony projects are present within the cases. It does so by showing how each of them seeks to discursively and materially reshape the social, fiscal, and economic objects of intervention. In doing so, I describe not only the encounter between competing perspectives, but also the compromise between them.

This compromise constitutes the third hegemony project analysed in the cases. It represents what Fraser (2017a, 2017b, 2017c) calls ‘progressive neoliberalism’, meaning an asymmetrical ‘alliance’ between parts of each of the two hegemony projects discussed above. This refers here to the ‘third way’ politics of the 1990s, described in chapter 4, which emerged during ‘second wave neoliberalism’ (see chapter 4), and which sought to combine markets with ideas of public responsibility. It calls for a ‘responsible capitalism’ (Sum & Jessop, 2013, p. 430), and includes a range of initiatives and ideas: corporate social responsibility, social economy, social capital, the ‘post-Washington Consensus’ (Jenson, 2010), and a specific conception of social inclusion through the labour market.

The concept of ‘alliance’ or ‘compromise’ conceives such projects as the linking of competing ideas, rather than as homogenous singularities. In the case comparison, I explain how a progressive neoliberal strategy is pursued by linking opposites, and reworking ideas through this process. In doing so, I am also concerned with the contradictions, tensions, and displacement of problems as the outcome of these contingent assemblages.

In table 1 I present these three hegemony projects and their salient features while table 2 presents their particular approach towards the three central objects of steering which the case studies analyse, namely the social, fiscal, and economic crises. These provide
reference points for the following case comparison and description of a progressive-neoliberal compromise.

**Table 1 - Hegemony projects and their salient features**

<table>
<thead>
<tr>
<th>Hegemony projects and their salient features (selected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthodox neoliberal hegemonic project</td>
</tr>
<tr>
<td>Market deregulation, public sector privatisation, welfare roll-back, ‘workfare’ and ‘prisonfare’, scalar shift from state to society, value shift from social security to individualisation and ‘moral behaviouralism’; de-unionisation and downward wage pressure; labour market flexibilisation, regressive taxation; polarisation of wealth.</td>
</tr>
</tbody>
</table>

**Table 2 - How hegemony projects approach three aspects of the crisis**

<table>
<thead>
<tr>
<th>Hegemony Project</th>
<th>Interventions into the:</th>
<th>Fiscal crisis</th>
<th>Economic crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>neoliberal hegemonic project</strong></td>
<td>Social crisis</td>
<td>Fiscal austerity, public sector cuts, welfare roll-back, hollowing out</td>
<td>New markets, absorb new value</td>
</tr>
<tr>
<td></td>
<td>Workfare, punitive prisonfare, containment of the poor</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>progressive post-neoliberal hegemony project</strong></td>
<td>Redistribution, social protections, social security</td>
<td>Rebalancing between public and private wealth, through public capture of private surpluses through revenue generation via</td>
<td>Moral, democratic economy of mutual benefit concerned with addressing needs, rather than value production and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.3. Progressive ideas and market methods – SIBs as unstable ‘progressive neoliberal’ compromise

In this main section of the chapter, I present the thesis that SIBs represent an unstable ‘progressive neoliberal’ compromise, linking progressive ideas with market methods of restructuring. This is achieved through a case comparison. I describe this compromise with reference to the three policy objects – the social, fiscal, and economic crises – and show how progressive ideas are linked to market modes of governance. In doing so, I identify both the achievements and setbacks of each hegemony project to operationalise its goals and objectives, and the ways problems are displaced when these are not resolved.

At a higher level, this analysis describes the presence of alternatives to neoliberalism within the project of ‘ethical capitalism’, as well as illuminating their constraints. In doing so, I describe ‘progressive neoliberalism’ as deeply contradictory and unstable.

**Social crisis, decarceration, individualisation**

In both case studies, the SIBs targeted deepening social crises since the onset of the economic recession in 2008 and the introduction of harsh austerity measures in 2010. The particular policy object was each country’s high levels of incarceration. In both cases, the effort to reduce prison populations diverges strongly from repressive forms of social regulation established by neoliberal governments in both countries since the 1990s. These established modes of ‘prisonfare’, which Wacquant (1999, 2009, 2010, 2011) described...
as the “punitive containment of the poor”, involved the enormous expansion of carceral institutions in the U.S. and U.K. (and elsewhere) to deal with growing economic marginalisation and shrinking social protections. Deepening social crises since 2007/8 also triggered the renewal of political alternatives to these repressive practices, focusing instead on ensuring economic security through redistributive mechanisms, expanding social protections, and achieving social rights. The failure of ameliorative or revolutionary alternatives to supplant the instituted practices of repressive social control, I showed, were also partially taken up by ideas linked to the ‘third way’ supporting preventative services and social capital, leading to the idea of ‘social impact’ and policy experimentation with Social Impact Bonds.

The first observation in the case analysis of the social dimension in the New York City and Peterborough SIBs, is the expression of a progressive post-neoliberal desire for an alternative to repressive social control and punitive containment. Both projects problematize mass incarceration, select high recidivism as their ‘objects of intervention’, seek to reduce re-incarceration, particularly in the area of blue-collar crime, and in NYC in particular, among the disproportionately high level of young men of colour in detention. This reversal of ‘tough on crime’ rhetoric was articulated by the U.K. Ministry of Justice in its questioning of endless prison expansion and the popular notion that it ensures public safety (Ministry of Justice & Social Finance, 2010). This critical attitude towards established repressive practices was linked to positive alternatives focusing on prevention, broadening the organisation’s view beyond the narrow confines of remediation (Ministry of Justice & Social Finance, 2010).

In doing so, each SIB problematized established modes of repressive social regulation or “prisonfare” where city governments manage poverty through “punitive containment”
(Wacquant, 2010, 204). This challenge to the political style of ‘law and order’ was echoed in the media, with the previously cited entreaty by *The Economist* to “Let ‘em out, and throw away the key” (2010). The shift towards a decarceration policy goal signalled a deviation from repressive modes of social regulation developed by city governments across the U.K. and U.S. over the past four decades, with policy actors now pushing for community re-settlement rather than punitive containment.

Furthermore, it was possible in both cases for SIB actors to partially challenge individualization, as a common narrative and practice of market-centric governance, to de-link interdependencies of the social context, and shift responsibility for incarceration onto individual persons. Policy documents went so far as to identify structural causes of incarceration, repeating in the Peterborough case, the oft-cited socio-economic statistic about blue-collar infractions. The Social Finance organization nearly described such crimes as crimes of necessity when describing people released from detention having only “£46 in their pocket, often with nowhere to live, no job to go to and no family waiting for them” (Social Finance, 2011, 6). Structural factors were also identified in NYC, although here, SIB ‘stakeholders’ pointed towards the additional political causes behind reincarceration. As project manager, MDRC pointed to the role racial profiling practices by the police have had on detention numbers, criticising harsh sentencing laws for detaining low-level infractions, and high bail costs for keeping low-income population groups in corrections custody (MDRC, 2014). Similar statements were made by the program’s evaluator Vera (2015a), who said that harsh sentencing laws and money bail keeps people locked up ‘because they’re poor’. Service providers made similar comments (Friends of Island Academy, 2016; The Osborne Association, 2016).
These critical statements may be understood as symbolic interventions against prisonfare. But they also legitimate policy decisions over the form of state action, and in this case, those kinds focusing on prevention rather than those on punitive containment. In supporting preventative services in the context of welfare contraction, the analysis reveals not only a discursive renegotiation, but also the ‘material substratum’ underlying this social compromise, as service providers receive funds for anti-recidivism programmes.

However, these compromises involve a mixture of progressive advances and constraints upon a decarceration turn in criminal justice policy and more broadly, approaches to the social crisis. While such critical ideas co-shaped the SIBs, and secured resources for service expansion in a context of contraction, each effort was limited by the continuity of the institutional power of neoliberal governance structures, which bracketed out the structural causes of incarceration and singled-out personal behaviour. This is seen in the way the new goal of decarceration was to be linked to the methods of individualization, not through increased social security, but more effective personal coping strategies. In the NYC case, power inequalities were revealed inside the ‘cross sector collaboration’, as the service intervention was decided by the Mayor’s Office and MDRC, and contracted out to the service providers, rather than the latter contributing to the decision-making process around goals and policy design. The result was the narrowly behaviourist model instead of comprehensive (and more costly) re-entry support including housing and employment, for example.

Criminal justice reformers could not connect their decarceration goal to the redistributive methods progressives they favoured to resettle former detainees. That is, decarceration was not to be ensured by increasing economic security nor expanding social protections from the vagaries of the market, by reallocating resources “from corrections budgets
to[wards] education, housing, healthcare, and jobs” (Brown et al. 2012, 96). Instead, decarceration was to be achieved by lowering reincarceration risk (Social Finance, 2011, 19) by improving personal coping strategies, reallocating budgets from remedial towards ‘preventative services’ (Whitfield, 2015) to ‘re-able’ people. The use of behavioural therapy in NYC to persuade detainees to change their attitudes in a context of poverty and repression, and the minimal personal support provided to people in Peterborough to navigate the benefit system and insert themselves into the low-wage economy, sought to compensate for the social conditions of recidivism, despite acknowledging these structural causes. Here, the symbolic power of progressive civil society to define decarceration goals, met the stiff resistance of stronger actors determining methods of individual responsibility (Silver & Clarke, 2014), and social fragmentation conducive to market-centric governance.

Multiple service providers in Peterborough sought to reduce the ‘risk’ of re-offending by accompanying ex-offenders through the gauntlet of post-release issues (Nicholls & Tomkinson, 2015), including filing for benefit support, offering small housing rental loans, providing limited job training (Social Finance, 2011), and by preventing ‘idleness’ through trash collecting and other activities (Sova, personal communication, September 30, 2014). NYC’s approach was even more narrow, which Osbourne and Friends contracted to “restructure distorted thinking” through behavioural modification therapy to detainees (MDRC, 2013, 29).

In both cases, the focus on ‘social impact’ reflected common shortcomings of ‘performance-based policy’, namely a narrow ‘tunnel vision’ and the performativity of symbolic practices (Eagleton-Pierce, 2016, pp. 139–140). This played out in the NYC

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43 A third shortcoming identified by the author is the high administrative costs of design ‘impact’ metrics,
case with the fundamental bracketing out of socio-economic and political causes of incarceration, including economic recession, racial-profiling police practices, harsh sentencing laws and high bails, which contributed greatly to the ‘cycle of re-offending’.

But the problem went further, with the “antirecidivism programme” (Wall Street Journal, 2012) stripping the context completely, seeking to reduce offending among people who had not been convicted of a crime. As MDRC (2013a, p. 32) explained, 90% of the persons in the ABLE programme were “pre-trial detainees”, meaning, “un-sentenced young people who remain in New York City Department of Correction [DOC] custody while their cases are pending in court”. The tunnel vision of ‘social impact’ produced a contradiction wherein an anti-recidivism programme sought to reduce re-offending among people who had not been convicted of a crime. This contradiction could only be resolved or displaced by reference to technical, juridical language defining ‘offender’ as a person who has been detained by the police (Vera Institute of Justice, 2015a) (independent of their actual act of committing a crime).

Whereas the Peterborough case was less extreme in context-stripping, seeking to address some immediate material needs, at least in a limited way, it too was afflicted by tunnel vision, focusing on a binary measurement of convictions in a quantitative assessment based on conviction statistics. This narrow focus tells us little about a persons’ qualitative, and socially sustainable re-settlement, or, whether they remain in a situation of economic insecurity, and their potential for personal crisis and relapse.

Table 3 illustrates how the SIBs intervenes in the social crisis as an object of steering. It depicts the different elements from the competing hegemony projects, and how they are

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monitoring, and evaluating policy, which, as we see in the fiscal and economic dimensions, are often paid by the public.
incorporated and combined to assemble a ‘progressive neoliberal’ compromise. Read from top to bottom, it depicts the process of selecting the different elements (from ‘approach’ to ‘objective’ to ‘method’). The grey cells identify the incorporated elements from the different HPs, while the white cells identify those elements from each hegemony project which are excluded or backgrounded.

Table 3 - SIBs as ‘progressive neoliberal’ response to the social crisis

<table>
<thead>
<tr>
<th>Hegemony Projects (HPs)</th>
<th>Orthodox neoliberal HP</th>
<th>‘Progressive neoliberal’ compromise</th>
<th>Progressive post-neoliberal HP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approach</strong></td>
<td>individual responsibility // market individuals</td>
<td>‘social impact’</td>
<td>material security // social individuals</td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td>Social fragmentation, prisonfare, punitive containment</td>
<td></td>
<td>decarceration, community resettlement</td>
</tr>
<tr>
<td><strong>Method</strong></td>
<td>individualisation, social capital, coping strategies, workfare, service narrowing</td>
<td></td>
<td>social security, social protections, material redistribution</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>moderate to no ‘impact’</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 251
Public fiscal crisis, private capital surplus, and ‘impact’ investment

This section describes SIBs as a ‘progressive neoliberal’ compromise by depicting the case studies as an intervention into a second object of governance, namely the fiscal crisis. This intervention involves a partial step away from the politics of austerity, by countering the argument of resources scarcity with one focused on the maldistribution of resources between the public and private sectors. SIBs drew on the progressive argument that public fiscal deficits were the flipside of private capital surpluses. However, as I argue here, the progressive idea of fiscal rebalancing is constrained by a logic of entrepreneurial government focused on private investment schemes. Rather than raising revenue through taxation, governments sought to attract private capital by offering investors the opportunity profitable returns through the absorption of public assets.

Following Dowling and Harvie (2014), SIBs were analysed in their fiscal dimension. This takes as a background condition for SIB policy emergence, the fiscal crisis of the state, caused by the public’s recapitalization of the financial sector following its meltdown in 2008 (Blyth, 2013), and the state’s revenue fallout due to the economic recession. This ‘fiscal crisis of the state’ created an ‘urgence’ towards which policy makers and other societal actors turned, producing a variety of ideas as to the source of the crisis, ‘imagined solutions’, and the correct methods to tackle it.

The post-scarcity argument was expressed in both the NYC and Peterborough cases. The New York City Mayor’s Office (2012) stressed that “in these times of constrained government spending” a “new pool of funding – commercial investment” might be “unlocked”. Similarly, the U.K.’s Social Finance organization (2011, p. 33) wrote that SIBs “can tap into new sources of funding [a]t a time of tight public finances.” In both
cases, the argument was made that public fiscal deficits should not be a constraint upon social policy – there is an alternative.

This alternative frame had more than symbolic value. It possessed material implications, allowing local governments to adhere to fiscal targets while simultaneously supporting services (in a limited manner), thereby absorbing some of the shock effects of drastic welfare retraction, for example, with the closure of homeless support and women’s shelters in the city (Sova, 2014a). But if this fiscal discourse of unevenly distributed abundance pivots around an austerity narrative of scarce resources, and thereby articulates elements of a postneoliberal perspective, the means by which this fiscal strategy was to be operationalized deeply constrained its potential. This is because, as a fiscal strategy, the SIB remained largely within the repertoire of the entrepreneurial governance (Peck & Whiteside, 2016), essentially “financializing urban governance” (Lake, 2015), by attracting private investment through the possibility of profitable returns, rather than generating revenue through taxation. That is to say, instead of reversing measures of regressive taxation upon large capital holders, the problem was framed as a ‘liquidity squeeze’, and market mechanisms were adapted to incentivize – ‘leverage’, ‘mobilize’, or ‘harness’, but not ‘redistribute’ – ‘private capital for public goods’ (Social Finance, 2009, 2010a).

However, such a method placed certain fiscal pressures upon the public, because, loans from private investors were to be paid with interest if the social impact target is achieved. This affected the ability of service values, design, and implementation, focusing on short-term savings to repay investors. Both the NYC Department of Correction (2012) and the UK Ministry of Justice expected their programs to ‘pay for themselves’ with “no cost to taxpayers”, the MoJ (2014) expecting enormous savings (see above) “through reduced
administrative costs associated with any crime, plus reduced prison costs associated with housing an inmate”, and “reductions in court, police and prison costs as a result of reduced re-offending”. The NYC Mayor’s Office similarly expected that prison downsizing would push down fixed costs associated with inmate housing and labour costs and create budgetary savings for the Department of Correction (MDRC, personal communication, March 11, 2015).

In NYC, these short-term fiscal goals shaped the service design, decided, despite the project’s ‘collaborative’ frame, without the inclusion of the experienced service providers who emphasised long-term and sustainable re-entry requiring housing, employment, and other more costly social support (Friends of Island Academy, 2016; The Osborne Association, 2016). In Peterborough as well, service expenditures were economised so that they would trigger savings in larger amounts, hence contributing to the downward pressures on long-term and sustainable re-entry in service design.

Table 4 illustrates how the SIBs intervenes in the second object of governance, namely the fiscal crisis. It depicts the different elements from the competing hegemony projects, and how they are incorporated and combined to assemble a ‘progressive neoliberal’ compromise. Read from top to bottom, it depicts the process of selecting the different elements (from ‘approach’ to ‘objective’ to ‘method’). The grey cells identify the incorporated elements from the different HPs, while the white cells identify those elements from each hegemony project which are excluded or backgrounded.
<table>
<thead>
<tr>
<th>Hegemony Projects (HPs)</th>
<th>Orthodox neoliberal HP</th>
<th>‘Progressive neoliberal’ compromise</th>
<th>Progressive post-neoliberal HP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach</td>
<td>reduce deficit through public sector cuts</td>
<td>‘leverage private capital for public good’</td>
<td>Maintain public services; raise revenue through taxation of private surpluses</td>
</tr>
<tr>
<td>Objective</td>
<td></td>
<td>&lt;--------</td>
<td>Draw in private resources; maintain services</td>
</tr>
<tr>
<td>Fiscal intervention</td>
<td>government borrows private capital, ---------&gt;</td>
<td>creates efficiency gains, and pays returns on social outcomes</td>
<td>state taxes private wealth, income, and market activities</td>
</tr>
<tr>
<td>Method</td>
<td>no efficiency gains: private investments publicly subsidised to reduce market losses (NYC) or secure profitable investor returns (Peterborough)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Economic crisis, responsible market, and social extraction**

The third aspect of the ‘progressive neoliberal’ compromise regards the SIBs’ intervention into the economic crisis of capital over-accumulation, as an object of discursive and material reshaping. Here, it intervenes into the crisis of slow and uneven
growth, providing a ‘progressive neoliberal’ compromise. On the one hand, these projects advance the progressive goal of making the economy responsible to society, while on the other hand, they adopt and adapt investment practices which rely on the extraction of public assets, and result in a mode of accumulation by dispossession.

Following Dowling and Harvie (2014), SIBs were analysed in economic terms as a response to the crisis of capital accumulation and profitability following the financial meltdown of 2008. This breakdown in capital circulation related directly to uneven economic development where gross imbalances between surpluses on the one side and economic scarcity on the other led to disruptions in accumulation processes (Harvey, 2010).

The specific economic strategy of SIBs could be reconstructed by referring to existing hegemony projects discussed above, and showing how struggles to redefine and potentially reshape economic strategies advanced. In analysing the economic dimension of the SIBs, we see efforts to construe and construct a compromise between these positions, resembling the kind of ‘progressive neoliberal’ formations and initiatives since the 1990s.

This section describes this process of renegotiation of the lines between competing projects and reconfiguration of discourses and collective action in New York City and Peterborough cases, showing too their power asymmetries and resulting uneven outcomes. I first show how the cases advance a (partial) critique of neoclassical economics, before showing how these elements of a progressive post-neoliberal critique are constrained through their particular reconfiguration of, and experimentation with, efforts to ‘create shared value’.
The first observation in this struggle over the renegotiation of economic imaginaries and practices is the negative moment, of a critique of ‘business as usual’ in SIB literature and utterances by their advocates. This involves a partial push back against the idea of the self-regulating market, the ‘invisible hand’, homo oeconomicus, and the narrow idea that for firms ‘the business of business is business’ (Friedman, 1970). Here, the focus lay on the financial sector’s risky overreach, and its negative impact upon society. Finance “got a bad rep in the financial crisis”, one Atlantic article writes, but “[t]he Occupy movement has tarred Wall Street with a broad brush” (Bank, 2012). As an alternative, SIBs show “[h]ow financial innovation can save the world”, the author writes, by “tweaking risk and reward” to direct “private capital markets for positive, measurable social impact” (ibid). The Economist editor Matthew Bishop articulates a similar position, framing SIBs are “a promising opportunity to guide the invisible hand by creating new markets for impact” (Bishop, 2014). Directly addressing the uneven rewards of contemporary capitalism, economist Andrew Palmer argues that the impact investments in Peterborough and New York show how “Creative Finance Helps Everyone—Not Just the Rich” (2015).

The aim is to expand the market’s societal use value, framing the financial sector as a ‘service’ industry providing resources to an underfinanced society. A similar frame is used by Goldman Sachs, which limits the critique of the financial sector, and harnesses the critique to support its ‘urban investment group’. They say: “Smart, progressive banks do not need to be an oxymoron. (…) We’re trying to use our capital to do important and interesting things. On our projects, if they don’t make money, then nobody’s going to do more of them. If we make solid returns and have made a significant contribution, we’re going to get more money” (Goldman Sachs, 2013).
According to Porter and Kramer (2011, p. 16), concepts and structures of ‘shared value’ hold the possibility of transcending “zero-sum competition” by “reconfiguring the value chain”. The SIB is one “opportunity to create economic value through creating societal value” and such projects, the authors anticipate, “will be one of the most powerful forces driving growth in the global economy” in the years ahead (Porter & Kramer, 2011, p. 15).

The media also participated in redefining financial firms and their potentially positive social contribution in the aftermath of the financial crisis. Admitting an initial unease at the idea of “inviting venture capitalists into the state human services system”, one article in The Seattle Times (2014), frames Goldman’s involvement in a SIB in Massachusetts to reduce prisoner recidivism, as an innovative way to re-embed the market, or in his words, to “get bankers to pay to reduce prison recidivism”, advocating state governments to accept a state bill for SIBs in Washington state.

Table 5 depicts the way the cases intervened in the third object of governance, namely the economic crisis of capital over-accumulation. It depicts how the SIB assembles different elements from the competing hegemony projects in order to respond to the crisis of slow and uneven growth. It shows how these are incorporated and combined to assemble a ‘progressive neoliberal’ compromise. Read from top to bottom, it depicts the process of selecting the different elements (from ‘approach’ to ‘objective’ to ‘method’). The grey cells identify the incorporated elements from the different HPs, while the white cells identify those elements from each hegemony project which are excluded or backgrounded.
### Table 5 - SIBs as 'progressive neoliberal' response to the economic crisis

<table>
<thead>
<tr>
<th>Hegemony Projects (HPs)</th>
<th>Orthodox neoliberal HP</th>
<th>‘Progressive neoliberal’ compromise</th>
<th>Progressive post-neoliberal HP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approach</strong></td>
<td>Self-interest, profit maximisation, capital accumulation</td>
<td>‘create shared value’</td>
<td>Create economy centred around use-values</td>
</tr>
<tr>
<td><strong>Economic intervention objective</strong></td>
<td>expand market through extraction</td>
<td>economic activities linked to social indicators</td>
<td>embed economy in public accountability</td>
</tr>
<tr>
<td><strong>Method</strong></td>
<td>capital expansion by extracting public assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td></td>
<td>private accumulation through public dispossession</td>
<td></td>
</tr>
</tbody>
</table>

7.5. **The future of SIBs: Failing forward or coming apart?**

The above description present SIBs, and by extension, ‘ethical capitalism’, as a contingent assemblage of countervailing forces advancing on the one side, market-centric ideas of neoliberal governance, and on the other hand, market-constraining efforts to embed the economy in forms of public accountability. It describes their compromise as provisional and asymmetrical. This section discusses their uneven outcomes and whether SIBs...
experience a future contradictory roll-out in the form of ‘failing forward’, or whether the provisional coalition that underpins it is headed for a breakup.

In the case comparison above, I described the linkage between the progressive idea of decarceration and the neoliberal method of social fragmentation and individual responsibilisation. I argued too that the intervention into the fiscal crisis challenged the austerity notion of scarce resources by pointing out that public fiscal deficits were a product of private capital surpluses. However, I showed that progressives could not achieve revenue generation through taxation and instead were limited by modes of entrepreneurial government which sought to incentivise private investment by offering investors public assets as financial rewards. I too argued that SIBs can be understood as an intervention into the economic crisis, and that this coupled progressive notions of needs-based economy with market-centric practices of extracting public resources independently of their social contributions.

This section discusses the outcomes of these experiments, describing the process of ‘failing forward’ (Peck, 2012b, p. 6). In both the Peterborough and New York City cases, the achievement of social impact was mixed. The extremely narrow service design in New York City, based solely on behavioural therapy, failed to achieve any change in re-entries relative to a control group, and Goldman Sachs discontinued the programme’s final year. In contrast, Peterborough reduced ‘reconviction events’ by 9%. However, the narrow focus of the project says little about its long-term outcomes. The concerted effort to limit levels and kinds of support to minimum for former offenders meant that these persons remained in situations of economic insecurity, or were dependent upon public benefits and low-wage and precarious employment opportunities. ‘Impact’ is based on a
quantitative figure of reconviction figures, not a qualitative assessment of social stability or re-settlement, leaving many people’s long-term needs unmet.

Fiscal outcomes were even less successful than the social ones, in this fusion between progressive narrative and a market-centric practice. The attempt to address the maldistribution of abundant resources and to make private capital publically beneficial was limited by efforts to remain within a market-centric framing which adopted a private investment scheme to incentivise profit seeking investors. As a result, both governments transferred sizable amounts of public assets to investors despite the failure of either SIB to create public savings.

Whereas investor returns were supposed to be paid from efficiency gains, an evaluation of the Peterborough project by Rand Europe described it as “not likely to result in substantial cashable savings to the Ministry of Justice or other governmental departments” (Rand Europe, 2011, p. 8, emphasis in original). Lower re-entries would relieve prison overcrowding but not shrink the facility nor lower expenditures (Rand Europe, 2016). Yet, according to the contract, public authorities were responsible to pay investor outcomes if the social impact targets were hit. In the absence of cashable savings, these payments will expand the MoJ budget rather than shrink it, and increase the public’s contribution to investors through Big Lottery Fund, directly contradicting the project’s goal of creating ‘shared savings’ (Ogman, 2016).

This shortcoming was anticipated by the project, with the Ministry of Justice’s outcome payments being subsidized by a third-party, the BIG Lottery Fund, which would “top up” the MoJ’s £3 million payment with £5 million of its own (Centre for Social Impact Bonds, personal communication, December 1, 2015). Insofar as the SIB expands public expenditures, it deepens rather than relieves the conditions of fiscal crisis that gave rise
to it. This outcome directly contradicts the SIB’s intended fiscal strategy, where, instead of shared savings, we see investors accruing capital in a zero-sum game through the absorption of public assets, without taxpayers achieving gains for themselves. Instead of the SIB allowing the public to ‘harness private capital’ to offset its funding gaps, the relationship was inverted, with the public subsidizing investor returns (Huckfield, 2014). This problem resulted in the institutional development of governmental “top up funds” to transfer public assets to private investors to subsidize future outcome payments (Ogman, 2016).

In the New York City case, we witness similar public-to-private sector asset transfers, contradicting the SIB’s fiscal objective. Instead of ‘transferring risk from the public to the private sector’, investors had their financial loss drastically reduced by third-party subsidies, despite failing to achieve social objectives. A substantial loan guarantee from Bloomberg Philanthropies covered two-thirds of Goldman Sachs’ principal, reducing its risk capital by more than 80% (Bloomberg Philanthropies & Goldman Sachs, 2015). Further transfers were made through subsidies from Bloomberg Philanthropies to MDRC for project management (MDRC, 2013a), and from the city to the evaluator, Vera, through an external grant (Vera Institute of Justice, 2016a). Such underwriting lowered the investor’s actual financial contribution to the project, and raised the financial burden on public and third-party actors. These concealed transactions show how fiscal assets flow from the public towards private sector, directly contravening the objectives of the SIB project.

In the end, the partial discursive shift in fiscal narrative from scarcity-necessitated-constraint to unevenly-distributed-societal-abundance did not effect a similar institutional shift for indebted government strategies to secure private surpluses, which instead
continued to repay private investors through public asset sales at an often zero-sum loss to the public (see more below). For this reason, the compromise is construed as asymmetrical, and the outcomes as uneven.

For the projects’ economic outcomes, neither one achieved its goals of creating ‘shared value’. The progressive idea of linking economic activities to socially beneficial practices did modify financial flows, with investors supplying up-front funding for public interventions, with returns pinned to performance upon recidivism levels. However, in neither case, did investors truly take on risk. In both cases, risk mitigation schemes prevented it from being shifted from the public to the private sector. This lowered the investors’ actual risk and protected its principal in the case of failure.

In NYC, where the project failed to create ‘social impact’, investors did not lose their investment but instead had their loss strongly reduced by the large loan guarantee from Bloomberg Philanthropies and city government grants. In Peterborough, where ‘social impact’ was achieved, though no savings were achieved, investor returns were secured by public subsidies from the Big Lottery Fund and the MoJ. In both cases, the SIBs failed to create a mutually-beneficial outcome of ‘shared value’ and transcend the zero-sum game. Neither project ‘aligned the interests’ of public and private actors, and instead, extended the practice of uneven accumulation strategies associated with neoliberal accumulation.

In summary, these case studies show that the Social Impact Bonds did not replace a ‘negative’ compromise of a zero-sum game with a mutually-beneficial, ‘positive’ one (Wright, 2000) among all partners. Within the context and timespan of these projects, and given the existing relation of forces shaping their parameters of action, the progressive drivers of innovation, while pointing to potential new goals of market governance, are
deeply constrained by other local, regional, and national actors, with established power holders seeking to only narrowly modify existing modes of entrepreneurial governance arrangements.

Hence, these findings suggest that SIBs represent neither a clear unidirectional expansion of market rule or the “colonization by finance” (Chiapello, 2015) into the social, nor the re-embedding of the economy in public accountability structures, but instead an *asymmetrical* ‘progressive neoliberal’ compromise. Drawing on Fraser (2017b, 2017c), this implies that efforts by the social forces behind the neoliberal hegemonic project are under pressure to find new forms of legitimacy, to seek alternative modes of social cohesion, to explore ‘ethical’ investment opportunities, and ways to offset some of the damage caused by the austerity approach to the fiscal crisis. These forces, mostly situated in higher-level state apparatuses and private firms form, in SIB projects, coalitions together with advocates of a progressive post-neoliberal hegemony project situated at lower levels of governmental and societal power, such as service providers and think tanks, who seek to open new pathways in a constrained environment, for more social intervention, funded through increased resources, and which link economic actors with societally beneficial activities.

Yet, as described above, these policy experiments failed to achieve their goals within the time frames set out for them, and did so in such a way that conform more to the central demands of neoliberal governance strategies than they do to those pointing towards a progressive post-neoliberal trajectory. Only minor concessions to progressive advocates were achieved within the time-space envelope of the New York City and Peterborough cases.
But what do these outcomes say about the future of this contingent assemblage of ‘progressive neoliberalism’ in the ongoing and mutating crisis conjuncture? Do they ‘fail forward’, allowing for their “manifest inadequacies [to] animate further rounds of [progressive] neoliberal invention” (Peck, 2012b, p. 6)? Or do these problems instead place more hurdles on the path to an encounter between the diverging hegemony projects of orthodox neoliberalism and progressive post-neoliberalism, and hence making the grounds more difficult for the negotiation of new provisional compromises?

Strangely, both developments can be seen. On the one hand, SIBs have grown exponentially since their first appearance, numbering 100 projects around the globe in late 2017 totalling more than £285 million [$400 million] (Pioneers Post, 2018), with the U.K. leading this development. Despite the failure of the NYC project, Bloomberg and Goldman (2015) wrote of the country’s “growing appetite” for SIBs. In 2015, Goldman had already invested in an additional three SIBs, “with [n]umerous other financial institutions and private investors hav[ing] followed suit” (Bloomberg Philanthropies & Goldman Sachs, 2015).

In summary, SIBs continued to expand, with innovative measures being developed to cope with and displace contradictions. Public authorities assuming no alternative accept the negative long-term fiscal costs. Investors find ways to reduce their losses or secure their profits through public subsidies. And social service organisations hope that the projects will expand the opportunities for directly funded services in the future, or resign themselves to the limited resources they receive in such projects.

Yet just as SIBs continue to ‘fail forward’, it is not clear whether they can secure lasting progressive neoliberal alliances. At least in the two cases analysed here, their forward motion occurs only through geographical dispersion, as they fail to establish local roots.
in either of the places they were located. Hence, SIBs appear to ‘fail forward’ just as the ‘progressive neoliberal’ alliances underlying them break up. This is especially clear in the NYC case, as I explain below.

Since the completion of the Peterborough and New York City projects, neither of these locations have seen the development of new SIBs. There has been however, new policy developments with the goal of decarceration. These are pursued in both locations in non-SIB frameworks, without the participation of private investors.

As described in chapter 5, the Peterborough SIB has been replaced by the country-wide probation programme ‘Transforming Rehabilitation’, while New York City is developing decarceration policies in entirely new political directions.

Hence, there is an expansion of SIBs on the one hand, and the break-up of the local coalitions that underpinned the analysed cases on the other hand. How do we explain this? Is it possible for the policy to expand despite the failures which accumulate? What explains its ability to be repeated elsewhere? And why are these coalitions breaking up? And what does it tell us about the future of the struggle between competing hegemony projects? Are they re-grouping in new forms?

**Contradictory expansion of SIBs**

The expansion of SIBs has meant the intensification of its own fiscal contradictions. In a full inversion of the effort to address public funding gaps through SIBs, now governments are “fill[ing] the funding gap for UK social impact bonds”, as the Pioneers Post (2012) put it, essentially subsidising investor returns from public money. This is occurring on the national level in the U.K., while U.S. examples are more dispersed. Even before the Peterborough project was completed “outcome funds” were being created out of public money to “top up” outcome payments when savings were not achieved. The Cabinet
Office created a £20 million “Social Outcomes Fund” and the Big Lottery Fund forming a £40 million “Commissioning Better Outcomes” Fund for this purpose (Centre for Social Impact Bonds, 2013). Since 2017, more than £1 billion in subsidies have been committed by the U.K. government to supporting the ‘social investment market’, with the majority of these funds concentrated in the period since the financial crash (Floyd, 2017). Hence, SIBs are being promoted up front as a way of addressing a public deficit crisis, but ultimately spend public money on outcome payments to private investors. Because funding gaps are not reduced in such arrangements, these problems remain a source of new SIB initiatives, which intensifying public deficit problems, create new grounds for their promotion.

The expansion of SIBs as economic strategy in the crisis conjuncture also means increasing uneven outcomes. As in the case studies, ‘shared value’ schemes appear rather to distribute wealth upwards. In order to make outcome payments, subsidies are drawing from public money. One way this is being done is through the Big Society Capital, a ‘social investment bank’ established by the cabinet office, and through the 2008 Dormant Bank and Building Society Accounts Act (HM Treasury, 2014). The Act allows banks to transfer of assets from personal deposits accounts that are inactive for at least 15 years. With a portion of these funds retained in a “reclaim fund” to cover possible future claims, the rest is shuffled to the government’s impact investment bank, Big Society Capital, which uses the funds for a variety of social investment market financing activities, including SIBs (Big Society Capital, 2013). These investments build the SIB infrastructure that lowers investors’ contribution levels and raises outcome payments.

For the government, the Dormant Accounts Act is part of an economic growth strategy, which seeks to break the credit freeze, by funnelling resources into the social investment
market with the goal of growing the social sector. Looking at the sources of these funds, we observe a consistent class dimension. This is based on calculations I’ve made from figures provided by *The Guardian*, who writes of an “estimated 500,000 dormant accounts in the UK worth around £500m” (*The Guardian*, 2010b). Dividing the total monetary amount by the total number of accounts leaves us with an average amount per personal deposit of £1,000. Following this money leads to the conclusion that the SIB infrastructure and outcome payments involve the enclosure of small savings, its transfer into public assets, and eventually shifted into private investor hands. This upward distribution of wealth is in striking contradiction to the stated goals of SIBs as an economic model for creating ‘shared value’.

Such trends are echoed in the U.S. The U.S. National Advisory Board on Impact Investing (2014, p. 28) seeks to lower investor risks and raise their returns, among other means, through tax credits for philanthropic investors, and similarly to the U.K., by enlisting “unclaimed assets of dormant bank accounts” for project development and outcome payments. It calls for public subsidies for investors by “lower[ing] corporate tax rates for qualified impact businesses, lower capital gains rates for investors supporting qualified impact businesses, allow impact investors to write off losses as a charitable tax deduction, or allow individuals to deduct contributions to US impact initiatives” (US National Advisory Board on Impact Investing, 2014, p. 35). Other ways of creating profits through ‘impact investing’ would be allowing tax loopholes for repatriated capital from overseas (US National Advisory Board on Impact Investing, 2014, p. 35). But such measures will essentially mean that investors will absorb public money, or “cannibalize philanthropic

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44 Larger contributions would lower the average account sum, leading us to conclude that the money is mostly from middle- and lower-income persons.
and public funding and fail to increase the capital available to fund the needed interventions” (Godeke, 2013, p. 73). What results is, as Harvey (2005) states, an investment model built on the shifting of public assets into private hands, what he calls “accumulation by dispossession”.

On the one hand, these examples show that SIBs tend increasing to replicate established modes of neoliberal governance. While it is questionable as to whether such forward failures may accumulate indefinitely, there are currently no signs of their development slowing down. This is to say, they continue to succeed in framing an answer to three intersection problems of the current crisis of neoliberalism, and providing some concessions to progressive actors, to continue moving forward despite their constraints.

**Coming apart?**
While SIBs are advancing, they are doing so by geographical dispersion and are not solidifying coalitions in a sustainable way within specific geographical settings. Since the completion of the case studies, neither Peterborough nor New York City have tested new SIBs. In each case, the completion of the projects meant the re-emergence of tensions which had been provisionally neutralised or subdued during the course of the projects. Following their completions, tensions re-emerged, and policy actors have pursued different kinds of restructuring. This can be seen most clearly in the way decarceration efforts have outlived the SIB projects and have in both locations been followed up in different policy frameworks.

Since the conclusion of the NYC SIB, the succeeding progressive mayor of New York City, Bill DeBlasio, promised to close the Rikers Island facility, reducing the local jail population by half, to soften sentencing laws, and to end class-discriminatory bails (New York Times, 2017). This initiative is borne out of changing make-up of policy coalitions
in the city, with progressive post-neoliberal hegemony project appearing to apply more pressure than was seen in the case study. Neither Bloomberg nor Goldman Sachs are involved in these new arrangements. It arises from the pressure of progressive criminal justice reform groups in the city. Unlike the SIB, the progressive goal of decarceration is linked to progressive methods targeting structural causes of incarceration, rather than being linked to market governance frameworks of individualisation and behaviourist methods. Also, it does not include private investors, and instead, the city may benefit from any fiscal savings it achieves through facility closures, which it is not required to ‘share’ (i.e. redistribute) with market actors. This indicates how progressive ideas and being linked to progressive methods in the reconfiguration of policy coalitions in the pursuit of decarceration goals, which aim to create public fiscal benefits without responsibilities to private investors.

Peterborough has also seen new decarceration policies since the completion of the SIB. Yet, just as with the SIB, local actors continue to play a minor role in the policy formation. In the U.K. example, ‘Transforming Rehabilitation’ was decided by central government and expands probationary services to all short-term offenders in a country-wide program (Social Finance, 2013b). While this project is not a SIB, it uses similar performance-based contracts, but does not involve private investors. However, as described in the case chapter, the services offered by TR do not amount to social protections, but rather, are focused on labour market integration. In this case, the retreat of punitive prisonfare coincides with the expansion of disciplinary workfare. Likely due to the top-down implementation of the Peterborough SIB and TR, there are no clear signs of a stabilisation of a progressive neoliberal coalition in that city, nor the strengthening of progressive post-neoliberal forces as we see in New York City.
7.6. Conclusion
This chapter presented the accumulated research findings and my theoretical and methodological contribution to knowledge. I have described SIBs as a form of ‘progressive neoliberal’ compromise linking progressive discourses with market-centric modes of governance. Also, I identified the achievements of progressive actors in these arrangements, and the constraints. My analysis focused on the asymmetries of power and the resulting uneven outcomes. I have argued that following the contradictory outcomes of the cases, there is both the further expansion of SIBs in a process of ‘failing forward’, as well as signs of tension and break up in the coalitions underpinning them. In the concluding chapter, I connect these research findings to broader questions regarding ‘ethical capitalism’ as part of the struggle over hegemony in the U.K. and U.S. since the onset of the current crisis of neoliberal hegemony, as discussed in the introductory chapter.
8. Chapter 8 – Conclusion
This thesis contributes to contemporary research on neoliberalism by analysing ‘ethical
capitalism’ initiatives in the aftermath of the financial meltdown of 2008. It focuses on
efforts to renew neoliberal hegemony in the case of the ‘social investment market’, as a
way of linking market modes of governance with new notions of ‘public responsibility’.
I argue that such efforts express an asymmetrical compromise of a ‘progressive
neoliberal’ hegemony project. This concluding chapter presents and summarizes the main
findings of my investigation and offers future research ideas.

8.1. The ‘social investment market’ and the struggle over hegemony
This dissertation argues that the ‘social investment market’ is part of the renegotiation of
hegemony, and that the strivings towards ‘ethical capitalism’ should be understood as a
‘progressive neoliberal’ hegemony project in the crisis conjuncture. It analyses efforts to
link market modes of governance with new notions of public responsibility, and thereby
create a harmony between market, state, and society, as an attempt to correct for the
polarizing effects of neoliberalism and to renew capitalism by partially incorporating
progressive alternatives. I show how Social Impact Bonds are part of the ‘iterative
reconstitution’ of a crisis-ridden political economy (N. Brenner et al., 2010b, p. 16)
responding to both ‘internal’ structural contradictions as well as ‘external’ political
challenges favouring post-neoliberal exit strategies. This involves a ‘passive revolution’-
type process (Gramsci, 1971) to address structural problems through modernization by
partially incorporating progressive alternatives, but doing so in such a way which extends
rather than constrains market rule into the future. In doing so, I transform a common
notion of ‘moral capitalism’, described by Clarke (2010a, p. 388), as a ‘muted echo of
popular scepticism and outrage about the crisis of the present’, into a relational encounter
between competing ‘hegemony projects’. I thereby analyse the presence of alternatives within ‘responsible’ market governance initiatives, their discursive and material effect upon them, as well as their constraints. I conclude that the social investment market is a provisional fix in the form of a ‘progressive-neoliberal alliance’ (N. Fraser, 2017a), linking market expanding initiatives in an asymmetrical compromise with agents of a progressive post-neoliberal hegemony project, with uneven outcomes.

The analysis challenges both the dominant narrative of ‘ethical capitalism’ presented in the literature of the ‘social finance industry’ (Rosenman, 2017), and the critical narrative found in much of the secondary literature. First I reveal the failure of concrete SIB projects to achieve the ‘paradigm shift’ and ‘revolution’, and the ‘aligned interests’ proclaimed in the dominant narrative. Such visions were impeded by failure to compromise market interests, resulting in the displacement rather than solution to problems, and the asymmetrical power relations tilted towards market actors. I showed how the projects produced uneven outcomes rather than ‘shared value’. (See chapter 7).

My analysis also challenged important limitations in the secondary literature. If the social finance industry presented an overly optimistic neo-corporatist image, the secondary literature often over-emphasised the continuities of the social investment market with pre-crisis forms of market governance and overlooked important discontinuities. I challenged the often undifferentiated conception of social impact bonds, for example, as the “the next neoliberal thing” (Schram, 2015), as the “mutation of privatisation” (Whitfield, 2012b), or the ‘colonization of society by finance’ (Chiapello, 2015). While this literature highlighted important continuities between the SIM and dominant modes of market governance, it often overlooked equally significant discontinuities or challenges.
My empirical case studies confirm three central critiques of the social investment market advanced in the secondary literature. First, I show that, counter to the dominant narratives (A. Fraser et al., 2016), SIBs do not necessarily shift fiscal risk away from the public and onto the private sector. Instead, there are persistent public fiscal risks due to risk mitigation mechanisms deployed by public and third party actors, which lower investor risk by raising public liabilities (McKay, 2013, 2014; Warner, 2013). The case studies strongly challenged a second dominant narrative of SIBs, namely the idea that they ‘solve society’s most intractable problems at their roots’. I revealed that ‘social impact’ is narrowly construed in ‘individualist’ frameworks supporting methods of personal behavioural change and individual self-reliance, which insulate social conditions or structural causes from consideration (Joy & Shields, 2013, p. 43; McHugh et al., 2013, p. 249), and which effectively limited the project’s outcomes. My research confirmed also a third concern in the literature (Dowling, 2016, p. 9), namely that the economic practices would not ‘produce shared value’, but instead reward investors through a zero-sum game by shifting public assets into private hands without public benefits, in a process described by Harvey (2005) as ‘accumulation by dispossession’.

Yet, while I identified these clear continuities between the dominant modes of market governance and emerging strategy of ‘ethical capitalism’ in my case studies, I also brought to light relevant discontinuities. These were equally represented in three examples. First, I argued that the goal of reducing recidivism in both case studies marks a symbolic shift away from dominant modes of managing social crises based on punitive punishment and mass incarceration, which have developed as part of neoliberal governance practices in both national contexts. Against nearly three decades of ‘prisonfare’ (Wacquant, 1999, 2009, 2010, 2011), and the ‘punitive punishment of the
poor’, each case articulated a goal of ‘decarceration’ and ‘community re-settlement’. Second, I argued that a discontinuity could be seen with regards to fiscal policy, and that SIBs represent a partial critique of austerity’s scarcity argument. In contrast to the ‘necessity’ of fiscal consolidation, public service cuts, and welfare retrenchment, ‘impact investing’ schemes imply that the problem is not scarcity of resources but instead their maldistribution. The other side of public fiscal deficits is private capital surpluses. Government ‘mobilisation’ of private resources is aimed at achieving net public savings even after making outcome payments. The third way SIBs are differentiated from dominant modes of market governance is with their idea of ‘producing shared value’. This vision of creating benefits for all ‘stakeholders’, both for society and investors, contrasts to a dominant market discourse of self-interest and shareholder value. Furthermore, this is not simply a contradiction between words and deeds, rhetoric and action. I explained that discursive shifts opened practical opportunities which were previously unavailable, even if these were limited (e.g. additional resources for new services).\(^{45}\)

In view of these contradictions, my original contribution to knowledge is to conceptualise the ‘social investment market’, and the broader ‘ethical capitalism’ project of which it is part, as a compromise formation. This enabled me to describe the research object not as a policy instrument but as a social relationship, traversing the institutions of society, the economy, and the state. Instead of a single, unitary object, SIBs are understood as an encounter between multiple competing projects each articulating different visions for societal restructuring. I analysed the negotiation between these competing visions, as well as the provisional settlements they achieved. This included a discursive struggle over

\(^{45}\) Tse and Warner (2018) argue that such discursive shifts have created support for progressive policy approaches following the completion of SIBs projects in some cases.
competing social imaginaries, and depicted the winners and losers in the struggles to advance certain kinds of collective action geared towards specific policy goals and political ends.

This strategic-relational approach succeeded in operationalising Clarke’s (2010a, p. 388) simple definition of ‘moral capitalism’ as a ‘muted echo of popular scepticism and outrage about the crisis of the present’, by describing a dynamic social relationship between competing hegemony projects, and the lines of conflict between them. I showed both the presence of ‘critique’ within the SIBs, while simultaneously accounting for its constraints (i.e. how it is ‘muted’). In doing so, I identified both the advances and setbacks of the different strategic actors, and the constraints upon their desired actions and goals.

In conceptualising SIBs as a ‘progressive neoliberal’ compromise, I show how the incorporation of elements of a diffuse counter-neoliberal sentiment into a modified form of market governance by linking it with notions of public responsibility. I build on Nancy Fraser’s (2017a) concept, which conceives of the ‘third way’ projects beginning with Blair and Clinton, as an alliance between “mainstream liberal currents of the new social movements” with sections of finance capitalism. SIBs represent, like other ‘third way’ projects, a provisional compromise between an orthodox neoliberal hegemony projects on the one side, and a progressive post-neoliberal one on the other. In the analysed projects, progressives achieve certain, albeit limited, concessions in the management of contemporary capitalist crisis, but do not point to a breakthrough into a new paradigm, as proclaimed by some advocates of the ‘social finance industry’ (see G8 Social Impact Investment Taskforce, 2014). This compromise is detailed in the previous chapter, and builds upon Clifton and Warner’s (2013) conceptualisation of SIBs as a ‘third way’ strategy.
This conceptualisation echoes recent studies in the field of cultural and political economy research seeking differentiated concepts of neoliberalism, for example, those examining neoliberalism’s potential ‘communitarian’ turn (Bieling, 2006; W. Davies, 2012). The albeit limited critiques of neoliberal governance articulated within social investment market projects, as discussed above, are neither overcome through the neo-corporatist arrangements, nor completely nullified through their contradiction with actual practices.

This argument coheres with similar perspectives found in the critical literature on post-crisis dynamics. As Davies (2012, pp. 440–441) writes in his analysis of ‘neocommunitarianism’, such elements can neither “be simply explained away as neoliberalism in disguise” nor are these “necessarily emancipatory or normatively desirable”. They might however constitute “elements of a post-neoliberal paradigm.” This all depends upon context and conduct, or structural selectivities and strategic action. Bieling (2006, p. 218) also stresses the need to “elaborate an even more differentiated analytical concept, in order to avoid the trap of terming all and everything that happens nowadays as ‘neoliberal’.” This might help identify “potential source of counter-hegemonic transformation, even if they are – unintentionally – in favour of certain elements of neoliberal restructuring” (ibid).

But this encounter between multiple projects within a single policy was described, with reference to Gramsci (1971, pp. 219–220), in terms of a ‘passive revolution’. It is insufficient to represent a plurality between competing projects within a single ‘ethical capitalism’ project, without discussing the relation between these competing drives. Just as critical discourse theory is concerned with the ‘order of discourse’, that is, with the structuring or arrangement between multiple discourses (Fairclough, 2012, p. 456), I am concerned not only with the fusion character of SIBs, but with the relationship between
dominant and marginal projects within it. In doing so, I applied Gramsci’s (1971, pp. 219–220) concept of ‘passive revolution’ to describe “the dialectic of ‘revolution/restoration’” within these projects, and concluded that the predominating tendency was towards the ‘restoration’ of market rule rather than those tending towards ‘revolutionary’ ones.

I argue that ‘ethical capitalism’ can be understood as a process whereby a crisis-ridden hegemony partially and selectively incorporates its opposition, using innovation rather than repression to overcome hurdles. But oppositional actors make strategic choices to join such projects because of the perceived concessions for these junior partners. Their power is limited to altering the general contours of such projects, helping stabilise the overall order, and effectively prevent a shift towards a significantly different developmental trajectory.

But, incorporation of alternatives, as I argued above, does not mean their wholesale negation. Passive revolutions do not ‘turn back history’ as “restorations in toto do not exist” (Gramsci, 1971, pp. 219–220). On the one hand, ‘ethical capitalism’ presents a new horizon of thought towards the idea of an ethical economy beyond capitalism, but it simultaneously involves the economization of ethics through further rounds of commodification. The ‘social investment market’ may push against some of the limits of a neoliberal order of an increasingly uneven development, but it’s refusal to depart from a valorisation paradigm also closes off the possibility of such a transition. It represents, in the conjuncture of hegemonic crisis, a ‘passive dialectic’ (Haug, 2008, p. 24), integrating and fragmenting a critique of neoliberalism and simultaneously subordinating such negations, creating a forward motion which carries protagonists of a post-neoliberal project along backwards.
But I believe this critical investigation of the social investment market also provides grounds for challenging the notion of a ‘crisis of critique’ (Hickel & Khan, 2012). Whereas critics are correct to point out how capitalism recuperates, fragments, and aestheticizes alternatives through the development of a ‘new spirit of capitalism’ (Boltanski & Chiapello, 2006), the problem may be framed, in Gramscian terms, as a crisis of practice. The case studies showed not the absence of critique, but its structural limitations. A ‘passive’ rather than ‘active’ consensus could be detected, as some actors within the policy processes sought to use the SIBs towards their advantage, and expressed scepticism towards its dominant narrative. What I identify is the ubiquity of critical perspectives, the mere contingency of their link to market modes of governance in this case, and the ongoing struggle between competing actors, as Zizek (2011) argues, to “appropriate” this “overload” of critique, and to reassemble it as part of a project with post-neoliberal potential.

Lest this point be misunderstood, the case analysis revealed little reason to expect substantive changes in a post-neoliberal direction within the framework of the ‘social investment market’. Rather the opposite was true. We see the development towards accumulation by dispossession through public and third party subsidies, less fiscal protection for the public, and narrowing parameters for social impact. Hence, while we can identify “progressive elements” within these projects, it does not appear that the ‘social investment market’ will achieve an incrementalist progressive politics. As Bieling (2006, p. 221) writes, they will not succeed on their own, but “only realize their potential if the material dimensions of the social and cultural crisis – i.e. socioeconomic inequalities, hierarchies and power relations – are not ignored but forcefully addressed in order to overcome the neoliberal configuration.” This is very unlikely to occur within the
current framework of the ‘social investment market’, but we could imagine similar progressive ideas and actors reassembled around different projects and in different contexts. They might find better compromises, which more substantively embed economies in structures of democratic accountability, subordinate them to ethical concerns and use values, and achieve equitable redistribution. As I discuss below, the changing political context, ten years after the rapid growth of the social investment market, might provide a shifting strategically selective context within which strategic action could make the difference. But this, as discussed below, cannot be concluded from the current research project, and only be investigated through future research.

8.2. Contribution to research on neoliberalism, crisis, and hegemony
My thesis contributes to contemporary research on neoliberalism and hegemony in multiple ways. First, it offers a more nuanced explanation of the ‘strange non-death of neoliberalism’ (Crouch, 2011) since the crash of 2008. It does so by complementing the dominant narrative focusing on ‘post-democracy’ and authoritarian restoration (Bruff, 2014; Crouch, 2016; Habermas, 2011; Jessop, 2013; Offe, 2013), by illuminating efforts to create a new consensus around the idea of ‘ethical capitalism’. Alongside a ‘punitive neoliberalism’ which attacks its fragmented and marginalised political opposition (W. Davies, 2016, p. 132), is an effort to selectively integrate alternatives, in a piecemeal fashion, into a project of modernisation, reform, and compromise. I show that neoliberalism is restored through both coercive and consensual modes of power thereby reshaping hegemony. Here, post-neoliberal alternatives are not merely excluded and repressed, but also, through a passive revolutionary process, partially incorporated and reshaped in the development of the ‘social investment market’ with the effort to link market modes of governance with notions of ‘public responsibility’.
Hence, absent a Polanyian-style ‘pendulum swing’ involving a new ‘great transformation’ and the ‘re-embedding’ of the economy (Dale, 2012; Peck et al., 2012), and the blockage towards a post-neoliberal transformation, we experience multiple ‘double movements’ within neoliberalism, ‘ricocheting’ effects at different sites and scales, and contributing to the iterative reconstitution of the political economy (N. Brenner et al., 2010b, p. 16). I showed how then, market governance responds to the dual challenge of internal structural crisis and external subjective challenge in multiple ways, and described efforts to address these challenges through innovation, seeking to recuperate alternatives, in a way that provided certain concessions, but allow for a flexible mode of ‘correspondence’ (Brand, 2014, p. 434) with capitalism’s drive towards expansion and its requirements of stability.

While my analysis reconstructs a ‘progressive neoliberal’ hegemony project, it is concerned with representing a strategy, and not assessing whether hegemony problems have been solved. The qualitative case study method allowed for a level of analysis operating at a lower scale, which was able to describe strategies and processes with limited generalizability. While it may be possible to generalize about the kinds of conflicts and settlements between the analysed cases and a larger population, the study is not designed to resolve the question of whether an appropriate ‘fix’ has been achieved.

What the case studies do show is a process of ‘failing forward’, that is, the contradictory expansion of a hegemony project despite its at least partial failure to achieve its goals locally. Since the world’s first SIB in Peterborough in 2010, over 100 SIBs have now been implemented across the globe (Pioneers Post, 2018), and the ‘social investment market’ has steadily grown.
However, ten years after the crisis of 2008, it is unclear whether this quantitative growth will continue to coincide with their qualitative status as a corrective to a polarizing market economy. It is quite possible that their failing forwards may not disrupt their geographical dispersion, but that it could jeopardize their standing as an innovative hegemony project.

Just as my analysis frames the social investment market as a progressive neoliberal hegemony project in the direct aftermath of the economic crisis of 2008, we might reflect on the current political context, which has shifted in important ways, and therefore changed the calculations among actors for their political opportunities.

If progressive ideas and actors were able to be linked to market governance structures following 2008, this was, as I argued, due to the weakness and fragmentation of a progressive post-neoliberal forces at that time. But political events of 2016 may have changed this context again, and with it, complicated the future of ‘ethical capitalism’.

This is due to the defeat of ‘third way’ politics in the U.S. and U.K. contexts, with the loss by Hillary Clinton in the presidential election, and the U.K. referendum to leave the E.U. These defeats of the centre at the hands of the conservative nationalist right were coupled by the renewal of the Left in both countries, with the insurgent leadership battle of self-described democratic socialist Bernie Sanders and the victory of the left-wing Jeremy Corbyn to lead the Labour Party (Rehmann, 2016). These changes in the party landscape reflect similar changes in society, possibly increasing the opportunities for progressive policy-making. What this changing context means for my research topic, is a shift in the structural selectivities affecting the possibilities of ‘ethical’ or ‘responsible economy’ initiatives. Advocates of the post-neoliberal persuasion might find themselves better positioned in the ongoing battle and negotiation over policy, and more broadly,
over the ideas and proposed practices of our common future, and move from a situation of ‘passive’ to ‘active dialectics’ (Haug, 2008).

8.3. Future research

Following from this perspective, I propose three possibilities for future research.

First, it would be interesting to test the thesis developed here in a larger population group. Are the conflicts described here representative for other SIBs? That is, do we see in other cases, a conflict over the meaning of ‘social impact’ between narrow behaviourist approaches and those targeting structural causes of social polarisation? How are fiscal issues addressed? Is there a similar struggle over fiscal risk and the liabilities of publics versus private actors? And how do the efforts to ‘produce shared value’ play out? Do they achieve economic growth in extractivist form, or do they overcome the zero-sum game typical of neoliberal accumulation strategies?

If policies are the ‘strategic terrain’ of larger hegemony projects, we might also take a longitudinal approach, investigating the medium or long-term effects upon policy or political context beyond the lifespan of SIB projects, as Tse and Warner (2018) have done. This suggestion is not hypothetical but instead based on historical developments since the completion of each project. As described in chapter 6, following the completion of the NYC SIB, there have been important developments in the direction of a decarceration policy, with the new (progressive) mayor DeBlasio promising to close Rikers prison, sharply reduce the prison population, and liberalise sentencing laws. These promises push the decarceration goal, yet do so in a progressive way, by addressing structural and political causes of incarceration, rather than through personal behaviour change. Yet it is a matter of concrete research to determine whether this is a matter of correspondence or causality between the SIB and the proposed changes. As described in
chapter 5, the Peterborough SIB was followed by the rolling out of country-wide probationary services for all short-term offenders. Some commentators argue that the SIB contributed to this expansion of social services, while others counter that the SIB reflected a changing political mood that had already been set in motion. Here one could investigate whether there is a correspondence or causal relationship. But there is an additional aspect to consider. If the Transforming Rehabilitation programme replicates the Peterborough services, then punitive prisonfare might only retreat through the expansion of disciplinary workfare. As described in chapter 5, this would reflect the tendency within performance-based policy towards performativity, as a quantitative concept of ‘social impact’ strips away qualitative considerations of life quality. Additionally, other examples of the ‘social investment market’ could be investigated, other than Social Impact Bonds.

The second idea for future research projects would be to expand the focus beyond SIBs, onto other ‘social investment market’ products, or even further, to include ‘participatory budgeting’ projects, ‘universal basic income’, and ‘shared economy’ initiatives in both the global North and South. Bringing together a cultural political economy approach and the historical materialist policy analysis, as developed here, may provide new insights into the encounter, conflicts, negotiations, and compromises in these projects between competing hegemony projects, and identify openings for progressive alternatives, as well as their blockages.

The final research idea takes a step further away from the ‘social investment market’ in particular to explore the question of ‘progressive neoliberalism’ more broadly. Reflecting on the changes since 2016 (discussed above), namely the erosion of the centre and strengthening of Left-wing forces, we might investigate how such ‘ethical capitalism’ projects resonate in the near future. Can the ‘progressive neoliberal alliance’ persist in
this changed context? Or do the new polarisations to the left and the right in the USA and the UK make such contingent assemblages more difficult to sustain, and new opportunities emerge for other courses of action? Is Fraser (2017a) correct to view ‘progressive neoliberalism’ as a vulnerable alliance in this new context? Are we seeing, as Fraser (ibid) argues, a division in the ‘progressive neoliberal’ alliance through the regrouping of some of these political forces behind a new ‘progressive populism’? In other words, do we see the disaggregation of the links between market governance and notions of public responsibility? And if so, are public responsibility initiatives regrouping behind ‘ethical economy’ initiatives that transcend market frameworks, or at least seek to restrain them? And do these initiatives gain strength from the growing support for progressive perspectives in society and contribute to a “new counterhegemonic bloc” (ibid)?

8.4. Conclusion
This thesis concludes by returning to the prefatory quotes at the beginning of this text. Following the analysis laid out in this research project, I now argue that the ‘revolution’ which the G8’s Social Impact Investment Taskforce (2014) both professed and promised to bring about, does, as Clarke (2010a, p. 388) writes, represents, a ‘muted echo of popular scepticism and outrage about the crisis of the present.” It reflects the forces of progress but also their blockage by countervailing forces of neoliberal restoration, and hence a ‘passive revolution’. This research project observed ‘ethical capitalism’ to tend towards ‘restoration’ rather than ‘revolution’, in Gramsci’s (2007, p. 252) terms. But, as there are no restorations “in toto” (Gramsci, 1971, p. 220), my contribution disclosed the contours of contemporary struggles over hegemony even inside the very forms of market governance themselves, to identify processes of becoming, and the political economy’s
iterative reconstitution, and with it, the emerging new terrain upon which the battles over hegemony in the near future will be fought. Discovering how these new processes play out is the work of future research. I hope my research has contributed to these efforts.
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Opinionator.


