



## Canada Research Chair in Citizenship and Governance



### **Redesigning citizenship regimes after neoliberalism. Ideas about social investment**

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“What is it that impels the powerful and vocal lobby to press for greater equality?” asked Margaret Thatcher, then UK prime minister, in 1975. She offered her own answer: “Often the reason boils down to an undistinguished combination of envy and bourgeois guilt.” Plato took a different view. Writing in the fifth century BC he warned Athenian lawmakers of the threat posed by extreme inequality. “There should exist among the citizens neither extreme poverty nor again excessive wealth”, he wrote, “for both are productive of great evil.” (UNDP, 2005: 51)

While often having quite different political histories, the Americas and Europe nonetheless share some important similarities in social citizenship practices. Currently, some countries in Latin America have on-going experiments with social citizenship that are not that different several European countries’ choices about how to design a citizenship regime for after neoliberalism.\* Ideas about equality attributed to Plato above are supplanting the more scornful vision articulated by Margaret Thatcher.

In the last two decades of the 20<sup>th</sup> century, almost all countries were subjected to pressure for change in their citizenship regimes, with neoliberal political forces operating both within and from outside the country. There is now consensus that neoliberalism profoundly challenged and destabilized post-1945 political projects, policy arrangements and practices of governing. Both in the global South, where the Washington Consensus reshaped economies and political institutions, and in the member countries of the OECD world, there was a move away from the policies and practices of the three decades after 1945. In particular, there were concerted efforts to roll back existing guarantees – limited as they were – to social protection and practices of interest intermediation, in the name of a larger role for the market, families and communities.<sup>1</sup> Then, as neoliberalism reached its limits in the mid-1990s, both in Latin America and many European societies, ideas spread about “social investment” – particularly investments to help the poor prepare a better future and especially for their children.

Beyond the recognition that there was a move away from classic neoliberalism at the end of the 20<sup>th</sup> century, agreement breaks down, however. Two principal positions exist. One is that neoliberalism is still hegemonic. Political projects that claim to offer something “after neoliberalism,” such as those proposing “a third way” or to “modernize” social policy, are treated as little more than a slightly adjusted version of the basic form itself. A second position is that neoliberalism hit an impasse in the mid-1990s as social problems multiplied across the OECD as well in countries subjected to the structural adjustment imperatives of the Washington

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Consensus. After two decades of hegemony, enthusiasm for neoliberalism waned and policy communities began to search for alternatives, albeit without a return to past practices.

There is, in other words, little agreement about how to understand the current situation. The first question addressed here is, then: is the policy logic still one of neo-liberalism or has there been a change significantly general to merit attention? To answer the question, this paper examines the policy trajectories in a number of countries in Latin America as well as several in Europe. A second question asks how this shift in ideas and policies, labelled social investment, came about. Here the article documents the ways in which a concept which had characterised the high neo-liberal period of the World Bank – social investment – and which plays on the discourse of capitalism, was reworked in the mid-1990s to become, among other things, a set of policies and programmes focused on fighting poverty and improving income security in Europe and Latin America.

### **“Something” is going on. What is it?**

Writing in *Monthly Review* about the World Bank’s 1997 World Development Report, the Marxist Leo Panitch (1998) asserted “neoliberalism has reached its limits, even if globalization has not.” He then went on to describe “modernised” social democratic politics taking shape, but hastened to remind us that such Third Way politics was doing little more than “keeping up with capitalist globalization.” The same year Anthony Giddens sought to provide the manifesto for such a modernised social democracy. He proposed that the Third Way would allow “social democracy not only [to] survive, but prosper, on an ideological as well as a practical level” (1998: vii). These two close observers of the political scene were somewhat ahead of their time, but a decade later, consensus is growing that the classic neoliberalism of Thatcher, Reagan, and forced structural adjustments is giving way to something else. Plato’s fear of the dangers of social inequalities is displacing Margaret Thatcher’s cynicism.

There is less agreement, however on what is emerging as a replacement. Multiple candidates are suggested: the Third Way (Giddens, 2001); the new global politics of poverty (Noël, 2006); “inclusive” liberalism (Porter and Craig, 2004); the LEGO® paradigm (Jenson and Saint-Martin, 2006); a new welfare state (Esping-Andersen *et al.*, 2002) are just a few. And of course a divide exists between those who see a wolf in new sheep’s clothing – arguing, for example, that we are simply seeing the roll out of neo-liberalism (Peck and Tickell, 2002) – and those who identify sufficient change in policy logics to argue that “after neoliberalism” is under construction.

In large part, whether one sees little change or some change depends on the focal point of the analysis. For those whose object of analysis is the social relations of capitalism, there is a tendency to gloss over policy differences, in order to describe the deep structures, which do not change, and their adjustable political forms.<sup>2</sup> Insisting on such commonalities around the world, Jamie Peck and Adam Tickell (2002: 380) summarise the situation this way:

Neoliberalism seems to be everywhere. This mode of free-market economic theory, manufactured in Chicago and vigorously marketed through principal sales offices in Washington, DC, New York, and London, has become the dominant ideological rationalization for globalization and contemporary state “reform.” ...

The constitution and extension of competitive forces is married with aggressive forms of state downsizing, austerity financing, and public service “reform.”

Just as post-1945 liberal democracy, even its labour-inclusive forms, was sometimes described as the “best possible political shell for capitalism” in the 1970s (Jessop, 1978 for example), many see a redesigned and “modernised” political shell playing the same role. The assertions of Panitch as well as Peck and Tickell represent this stance.<sup>3</sup> Similarly, those who focus on the hegemony of Liberalism (sic) describe a new embedding (Porter and Craig, 2004). “Embedded liberalism” characterised the post-1945 consensus, as international institutions and governments sought to order the international economy better than in the interwar years (Ruggie, 1982). For those sharing Porter and Craig’s standpoint, there is now a contemporary version of this embedding process being felt around the globe, both North and South.<sup>4</sup> Being most interested in the management of liberal capitalism, such analyses tend to see a shift from the Hayek-inspired Washington Consensus to a version of liberalism that is attentive to the political and economic costs of social exclusion and poverty, and therefore to the market-shaping strategies and social policies of international agencies as well as national and sub-national governments.<sup>5</sup> This remains, however, “mere inclusion” (Porter and Craig, 2004: 416), unworthy of any enthusiasm from progressives. Why? The answer is simple: because capitalism, for those who focus on its structural relations, and liberalism, for those who focus on market relations, are still with us. Therefore nothing has “really” changed.

For those whose object of analysis is public policy, such high-level abstractions and structural analyses are of limited use. Policy analysts tend to be more interested in tracking “the *different variants* of neo-liberalism, to the *hybrid nature* of contemporary policies and programmes, or to the *multiple and contradictory aspects* of neoliberal spaces, techniques, and subjects” (Larner, 2003: 509, italics in the original), and even allow the possibility of “after neoliberalism” (Larner and Craig, 2005) or a “postliberal challenge” (Yashar, 1999), in both European societies and Latin America. From this perspective it is possible to conclude that “... a significant shift in the global policy agenda has taken place” (Noël, 2006: 306), that welfare regimes have the potential to change “family” (Castles, 2005: 420-21; Palier, 2007 for example), or that poverty may actually be reduced by a new policy instrument such as conditional cash transfers (Soares *et al.*, 2007).

This level is where serious policy analysis has always been located, and it leads to empirical findings which raise difficult questions for broad-brush structuralism. For example, well before Peck and Tickell (2002) penned their sentence about the marriage of “aggressive forms of state downsizing, austerity financing, and public service ‘reform’,” the failure of American and British neoliberal projects to downsize significantly had been amply documented (for example, Pierson, 1994), that “neoliberal policies [had] triggered the construction of new institutions for market governance,” including some which opened new space for the participation of small farmers in Mexico (Snyder, 1999: 175), and there were variable consequences of neo-liberal projects for social citizenship (for example, Jenson and Sineau, 2001), which depended on the political power configurations in each case (Huber and Stephens, 2001).

This paper aligns itself with this second position, sharing with a growing number of analysts an interest in logics of contemporary social policy, particularly that focussed on income security in

its broadest sense. As such, it also aligns itself with those who recognise that the range of actors involved in shaping social policy has increased. When Keynesian spread from the 1930s through the 1950s, epistemic communities were composed of representatives of national governments, a small number of intellectuals from a small number of countries, and experts from the infant international institutions. Current policy communities are not only larger, but draw experts and leaders from a wide range of countries and regions of the globe.<sup>6</sup>

Two types of institutions have helped drive this expansion. One is international organisations (IOs) and a second is the non-governmental organisations (NGOs) that surround them. As Bob Deacon put it in summary form, there has been both a globalisation of social policy and a socialisation of global politics (Deacon et al. 1997). International organisations and the European Union have significant effects on national policy-making (see also, for example Armingeon and Beyeler, 2004 for the OECD and the recent compendium by Bruno *et al*, 2007 for the European Union). But there has also been increasing attention to social policy in the classic “economic institutions” such as the World Bank and International Monetary Fund (IMF) as well as the varied institutions of the United Nations. These IOs and the NGOs working in their orbit do not act alone, of course. National governments obviously participate, and in the end of the day, even in the European Union, they are the actors that must translate policy into programme. The result is variation.

But there is also a story of diffusion and shared ideas. The “how” of each national or regional story of adoption and adaptation can be told, but the process and mechanisms of the more general diffusion of the interpretative frame or common sense understandings also merit attention.<sup>7</sup> Just as Keynesianism was domesticated in a variety of ways by governments in the 1940s and 1950s, the basic principles of Keynesianism were widely diffused. Just as neoliberalism had varied effects within the family of welfare regimes, we can also document and analyse the spread of neoliberal ideas around the world. And now, we can map the spread of certain shared ideas about social investment.

### **The social investment perspective and social citizenship**

The discourse and practices of many international as well national and even sub-national social policy makers reflects a global anti-poverty consensus (Noël, 2006: 305), traversing the development community, including that tuned to Latin America. It is also found in the European Union, where social inclusion gained co-equal status in the Lisbon Strategy with more traditional attention to employment (the European Employment Strategy), health and pensions.<sup>8</sup>

Naming this consensus is still too limited and broad-brush, however. Identifying an agreement within the development community around an objective for what is now awkwardly called “pro-poor” policies or the “poverty reduction paradigm” provides no indication of how the goal of reducing poverty is to be attained. Policy logics and instruments can widely diverge. They can include neoliberals’ promotion of globalisation in the belief that there will be trickle-down effect “raising all boats” and social conservatives’ promotion of marriage as the way “to lift families out of poverty.”<sup>9</sup> Nor does the identification of a consensus about the risks of social exclusion and the need to work on social inclusion provide any information about how countries, IOs or NGOs will act on that consensus. Policies could – and have – ranged from promoting early

childhood education to redesigning transfers, emphasising cash benefits over in-kind payments, or calling for services.

This part of the paper will set out one sort of policy that constitutes a translation of the anti-poverty consensus into concrete programmes, with a specific logic for fighting poverty and recognising social citizenship. It is the logic of social investment, one that differs from social protection or social inclusion, the latter two being most often associated with earlier times and idea sets and times.

The claim is not that all countries have adopted this social investment perspective. It is, rather, that a significant subset of countries in Europe and Latin America has done so, and that it represents a “way of doing” poverty reduction and social citizenship. Rates of adoption have varied. In the North, liberal and social democratic welfare regimes moved more quickly to take up the discourse and policy practices of social investment than did either Bismarckian regimes or the European Union itself. In Latin America only some countries have moved in this direction. Others have selected to return to earlier state-centric development strategies, privileging redistribution of resource rents to the poor. And others are still mired in their classic neoliberalism.

Nor is the claim that this perspective is particularly progressive, or particularly non progressive. Assessment of the social investment perspective according to its consequences for a fair and just distribution of wealth or for the promotion of equality is a task for another paper. The one undertaken here is to describe the perspective and its consequences for social citizenship, the notion being that it is always helpful to know what is really going on.

In order to map the characteristics of social citizenship under the influence of a social investment perspective, I will use the heuristic of the citizenship regime, an analytic grid that permits one to make visible the intersecting dimensions of social citizenship.<sup>10</sup> The concept is composed of four elements: rights and duties; access and governance; belonging; and the responsibility mix.<sup>11</sup> Three will be discussed here.

### ***The responsibility mix***

The role of the social state in Europe under the influence of Keynesianism macro-economic thinking, followed from the prevailing assumption that social spending “would complement the market economy: it would be an instrument of automatic countercyclical stabilization, it would ensure an educated and healthy workforce; and it would provide the complex social infrastructure essential to an urban economy” (Banting, 1987: 185). The family was also assumed to be the major source of welfare. The community corner of the welfare diamond was important because many social services were publicly funded but actually provided by organisations in the third sector and anchored in the community. Church-based hospitals, senior residences, schools, and so on provided many health and education services, often using public funds. Sometimes the partnership was quite explicit, as in the Bismarckian welfare regimes of continental Europe, where religious institutions and unions organised and ran pension funds and provided social services. In Latin America the relationship was usually corporatist, as well. Sometimes the partnership was very important but less visible, as in liberal welfare regimes

where the growth of the welfare state also involved the expansion of non-profit agencies providing services of all kinds.

In the social state perspective the here-and-now is the most important moment in time. Inequalities, inequities and challenges in the present must be addressed in the present. The neoliberal perspective began to look to the future, with the notion that what is done in the present can have negative impacts on the future. The social investment perspective also looks to the future but in a somewhat different way. The results produced by any investment are located in the future, whereas consumption (labelled an expense by accountants) is something that occurs in the present. In this perspective then, for social spending to be effective, and therefore worthwhile, it must not simply be consumed in the present to meet current needs, but it must be an investment that will pay off and reap rewards in the future.

In this discourse, it is acceptable for the state to have a significant role, but only when it is behaving like a good business would, seeking to increase the promise of *future* profits. The goal, as that of any successful business, is to increase the profit margin. Spending for current needs, in contrast, must be canny and limited. There are, however, certain core costs which must be met so as to keep the enterprise solvent - that is to provide some protection against the costs of social exclusion. But such spending on items which are not really investments should be limited, directed only where it is “needed”. The focus on the future also brought attention to results (outcomes) and to life course perspectives that require time series information.

In post-1945 social states, policy communities tended to describe government spending on social programmes and services as expenditures on social security for social protection. In contrast to this set of ideas, the neoliberal perspective of the 1980s assumed that markets could and should generate well-being and it spread the diagnosis that social spending and state intervention were in conflict with economic prosperity. Such ideas generated neoliberals’ vision of the proper responsibility mix, downplaying the role of the state in favour of “structural adjustments.” Relationships across the welfare diamond had to be redesigned so as to allow markets especially but also community-based organisations to reclaim their “rightful” space in the allocation of well-being. Families were also called on to “exercise greater responsibility” for themselves.<sup>12</sup> Evelina Dagnino (2005: 2) describes the situation in Latin America this way:

... as a part of the neoliberal agenda of reform, citizenship began to be understood and promoted as mere individual integration to the market. At the same time and as part of the same process of structural adjustments, consolidated rights are being progressively withdrawn from workers throughout Latin America. In a parallel development, philanthropic projects from the so-called Third Sector have been expanding in numbers and scope, in an attempt to address poverty and exclusion ...

Stabilization and structural adjustment programmes cut back the basic services that had been intended to provide a social safety net and turned to NGOs to provide what services were still available (Schild, 2000: 276 and passim). This shift had significant consequences for the sector’s capacity to play its classic and necessary advocacy role (Alvarez, 1999).

Deborah Yashar summarised Latin American citizenship regimes after the transition to democracy and as they moved into neoliberalism this way (1999: 80):

... from the mid-twentieth century on, Latin American states, whether democratic or authoritarian, tended to promote corporatist citizenship regimes. They extended social rights (including subsidies, credit, health care, education, and the like) and institutionalized corporatist modes of interest intermediation for workers and peasants, in particular. In the new democracies, by contrast, states have tended to promote neoliberal citizenship regimes. The expansion of political and civil rights has tended to coincide with the decline in social rights and the promotion of liberal or pluralist modes of interest intermediation. Organized social sectors (such as workers and peasants) have lost their state assurance of a basic standard of living and similarly have lost their main institutional means of accessing and occasionally influencing the state.

In the North as well governments reduced benefits and/or limited access to social programmes. While in many countries of the OECD “social policy remains the most resilient component of post-war domestic policy” (Pierson, 1994: 179) even after years of neoliberalism, nonetheless “services have become more threadbare, benefits have been cut, and eligibility rules have been tightened” (Pierson, 1994: 5). Even more importantly, programmes were significantly redesigned. Those for the unemployed and social assistance recipients were targeted for cutbacks if not elimination, at the same time that new programmes intended to ensure that the “employables” (particularly young people and lone-parents) would be supplied to the labour market rather than going onto social assistance. The neoliberal perspective was particularly enthusiastic about the role of the community sector, seeing it as an alternative source for collective solidarity to that of the state. Communities and organisations were called on to organise themselves to become more business-like, and as such they could hope to be given contracts to provide services such as job training or services to the vulnerable elderly.

The social investment perspective’s macro-economic analysis continues the focus on the supply-side that neoliberalism instituted, and it is in this context that talk of social investment (rather than spending) provides discursive coherence. When enthusiastic about the market, it is of course natural to speak of investments. Therefore, as more activities are organised according to market principles, individuals and their families are called upon “to invest in their own human capital” so as to succeed in the labour market. At the same time they must invest in their own futures, via savings for their retirement pensions and the future of their children. But, the state is also willing to share some of this responsibility, by providing services such child care as well as by income transfer to make up for the fact that market incomes are often not high enough to meet family needs.

This willingness follows from the fact the social investment perspective does not reject the premise of either the social state or neoliberalism that the market ought to be the primary source of well-being; it too emphasises the importance of paid employment and other forms of market income. But, whereas neoliberals assumed that market participation was the solution, the social investment perspective is suspicious that the market may not be producing sufficient employment for everyone. A common social investment prescription is the need to “make work

pay,” not simply by making it competitive with social benefits rates but also by supplementing wages, providing low-cost services or both.

Justifications for early childhood education and care (ECEC) are clearly expressed as good for economic growth and social development (Esping-Andersen *et al.*, 2002; Mahon, 2006). Therefore, ECEC is not simply a family matter, as it was for liberal welfare regimes until very recently. Nor is it simply a support for workers, as it was initially in social democratic regimes. In both cases spending on ECEC can be justified as a public service for children’s futures as well as their parents’ needs, and therefore one that is at least in part should be underwritten by public funds.

Asset building is another favourite of the promoters of the social investment perspective, summarised as “public and private strategies to enable low-income persons to save and accumulate long-term assets” (Boshara, 2004: 1). Described as social investment, the plans often target adult savers, through micro-credit programmes, but they are also popular as tools for promoting the capacity to invest in children and their human capital.<sup>13</sup> In the United Kingdom, since 2002 the Child Trust Fund makes several payments into an account in the child’s name (at birth and age 7); this money can not be accessed by parents while the amount is higher for low-income children.<sup>14</sup> Canada’s asset building programme for human capital acquisition is Learning Bonds, established in 2004 and targeted to children living in low-income families.<sup>15</sup> In Mexico, the Youngsters with Opportunities programme (*Jovenes con oportunidades* – part of the general *Oportunidades* programme), begun in 2002 by the department of social development, provides incentives for poor students to finish secondary school and go to university by providing them with “points.”<sup>16</sup> These are managed by the decentralised “popular” bank, the Bank for National Savings and Financial Services (BANSEFI) (OECD, 2003: 36ff).

Such a focus on asset-building is an expected result of a social policy discourse constructed in terms of social investments.<sup>17</sup> It fosters programme design that locates pay-offs in the medium and long term. Policy communities’ focus on both ECEC and asset-building requires the state to underwrite activities which for Keynesians as much as neo-liberals were private matters. In both cases neoliberalism’s emphasis on individual and family responsibility is muted, but there is also care to avoid the “limits” of early welfare programmes, such as those that might have encouraged families to choose parental care over labour market participation as well as transfers for current consumption.

### ***Rights and duties of citizenship***

Beginning in the 1940s, citizenship rights were often distributed according to one’s relationship to the labour market. Corporatism in Latin America provides a clear example. The case of Brazil was quite typical, with its (Dagnino, 2005: 6): “... relatively wide and systematic recognition of social rights by the state in Brazilian history, ... such recognition did not have a universal character but was restricted to workers.” In European corporatist (Bismarkian) welfare regimes as well, access to social rights depended on contributions to various social security regimes. In liberal regimes access to many social benefits depended on the relationship to the labour market, in that a non-relationship, either of one’s own or a family breadwinner, opened access to the programmes of the social safety net. And, while social democratic regimes provided more

universal rights, the employment nexus to social policy thinking remained key to shaping decommodification rights.

Neo-liberalism then set out to dismantle many of these rights, cutting back or eliminating programmes. In Latin America, neoliberalism brought advocacy of “individual autonomy and responsibility, a program based on granting individual political and civil rights (but not necessarily social rights), emasculating corporatist organizations, and advocating the retreat of the state” Yashar, 1999: 85). The most dramatic attack on social rights was, of course, on the pension systems of Latin America. Beginning with Chile under Pinochet in 1981, seven Latin American countries subsequently privatised their public pension systems, moving towards individual capitalization designs in order to completely replace the public system, establish a parallel system or set up a mixed system (Madrid, 2002: 159-60). Generous pensions were obviously also a target of neoliberals in Europe, with politics dominated for several decades by the issue of what kind of reform as well as how to do it. If social democratic and liberal regimes were able to adjust their pension packages reasonably quickly, Bismarkian regimes remain mired in debate.<sup>18</sup>

Beyond retirement income, other changes were introduced. As Verónica Schild describes the Chilean situation under the dictatorship:

The neo-liberal modernizations introduced a significant shift in discourses of social policy. Accordingly, social spending was to reach the truly needy and not ‘special interest groups’ such as organized labour and organized middle-class professionals and public servants. Thus, although social assistance spending was not eliminated altogether, it became highly targeted to groups deemed most vulnerable, the poorest sectors, and mothers with infants.

In part this shift was the product of claims making by women’s groups, even under the dictatorship, whose claims were framed in anti-poverty terms (Marques-Pereira, 2007). The altered focus is important to note, because as Francis Castles’ detailed quantitative data analysis of the original OECD countries shows, stability rather than decline in spending levels is the story (Castles, 2005: 414-18). He documents clear shifts in the composition of spending, with cash transfers declining relative to services (Castles, 2005: 419). In contrast, in Latin America the late 1980s state spending declined significantly and then stabilised.

The arrival of a social investment perspective has brought new kinds of spending, focused more on new social risks than on retirement income. Social investment privileges investment in human capital and, not surprisingly, a variety of programmes seek to increase the human capital spending on children and young people. In the OECD world, public spending on ECEC has increased substantially (even if it remains suboptimal except in the Nordic countries) and policy communities call for more (OECD, 2006: Chapter 5). In Latin America the move towards ECEC has been slower but in 2006 Chile innovated by providing free access to child care and preschool for poor children. The Chilean child care programme is described by UNICEF as one of “investing in children.”<sup>19</sup> When launching the initiatives, President Michelle Bachelet described her goal as being “... to implement a system to protect children, in order to offer all Chilean children an equal chance to develop during the first eight years of their lives, whatever their

social origin, gender, place of birth or family situation.”<sup>20</sup> The words echoed those of that other promoter of investment in children, Tony Blair, speaking in 2004: “Together we need to build a childcare system that meets the needs of today’s family life, that is secure enough to fulfill children’s opportunities. ... We must, above all, ensure the best possible start in life for all our children who are our strength and our future” (quoted in Dobrowolsky and Jenson, 2005).

The more prevalent instrument for social investment being adopted in Latin America is the conditional cash transfer (CCT). Promoted widely by the development policy community, major programmes have been adopted in a number of countries while smaller pilots have been tried in others.<sup>21</sup> One of the best known (and most evaluated) is Brazil’s *Bolsa Familia*, created in 2003 to rationalise a number of existing CCT’s that had been focused on reducing child labour, increasing school attendance, promoting pre-natal care and so on. The CCT is conditional on school attendance and medical visits. Mexico’s *Oportunidades* programme is similar, setting conditions for health visits, nutrition training and school attendance. Chile’s programme is *Chile Solidario*, initiated in 2002; the conditions for each family are set individually. Extensively involving municipal authorities, these programmes continue neoliberalism’s preference for decentralisation, and the amount of public funds committed to them remains tiny. Nonetheless, they reflect recognition that spending is necessary to overcome poverty and they are widely classified among the “pro-poor” policies that have supplanted straightforward structural adjustments.<sup>22</sup>

With their emphasis on community involvement and social development, the design of the CCT participate in a more general shift, pioneered under neoliberalism and continued into the present, towards decentralised service delivery and sometimes design.

### ***Governance arrangements and citizenship regimes***

The social state perspective fit well with the traditional Weberian state form, relying on hierarchical relations of accountability, focused on different results among social groups and concerned about spending. Neoliberals prefer the privatisation of state services. They denigrate “bureaucrats” and call on state employers to behave in more business-like ways and learn how to manage as the private sector does, including by focusing on the “bottom line.” When proponents of social investment regrouped, they did not reject all of neoliberalism. Indeed, the very label “social investment” served to project the image of the more business-like, market-friendly and dynamic entrepreneurial state as well as one that was more responsive to community needs and concerns. It fit well with the ideology of the new public management that many governments had embraced since the 1980s as well as the shift of responsibility to other levels of government (Schild, 2000; LeGalès, 2002). Janet Newman and her colleagues (2004: 204) summarise these changes this way:

The role of the state shifts from that of ‘governing’ through direct forms of control (hierarchical governance), to that of ‘governance’, in which the state must collaborate with a wide range of actors in networks that cut across the public, private and voluntary sectors, and operate across different levels of decision making. Public administration and social policy literatures variously describe the ways in which governments – in the UK, the USA and across much of Western Europe – have attempted to shift the focus towards various forms of co-

production with other agencies and with citizens themselves through partnerships, community involvement and strategies of ‘responsibilisation’.

Beginning under neoliberalism there has been an increasing attention to the local and community levels of governance. This is as true in Latin America as in Europe.<sup>23</sup> For example, the World Bank has actively promoted social investment funds in several Latin American countries, which are community grants for small-scale development projects proposed and implemented by local actors, including community groups, local governments and non-governmental organizations. Social investment funds typically finance some mixture of socio-economic infrastructure, productive investments, social services and training for actors themselves. They are an anti-poverty instrument, first used in Bolivia in 1987 (Van Domelen, 2003: 1-2). They quickly gained popularity because of the relative ease of creation and light bureaucracy, despite the weak evidence that they achieved their employment creation goals (Lustig, 1997). Also popular with the Inter-American Development Bank, social investment funds were described as part of the arsenal to overcome the supposed limits of a too centralised state (IADB, 1998: i):

By giving voice to poor and marginalized communities who have previously had difficulty influencing public policies, the Funds can be especially effective in fostering a more “pro-poor” allocation of resources by traditional line ministries. ... the Social Investment Funds have a relatively successful track record at reaching the poor, especially compared with traditional line ministries...

Also to be avoided were too powerful “interests,” such as unions of traditional corporatism.<sup>24</sup>

This vision of the advantages of community and local involvement was retained in the social investment perspective. The social investment perspective leads to a willingness to collaborate with intermediary groups, but prefers them as partners in policy design and service delivery rather than as advocates for a constituency or as a social partner.<sup>25</sup> As Tony Blair and Gerhard Schroeder put it in their 1999 manifesto: “Modern social democrats solve problems where they can best be solved. Some problems can now only be tackled at European level: others, such as the recent financial crises, require increased international co-operation. But, as a general principle, power should be devolved to the lowest possible level” (Blair and Schroeder, 1999).

Commitment to governance practices that engage communities and NGOs is found throughout the European Union and its member states, reflected in numerous funding programmes as well as rules of engagement for the Open Method of Coordination. Again, however, as with the social investment funds, there is often a gap between commitment and practical success.

Patterns of access to political power have also altered with changing citizenship regimes. In the social state perspective organised interests and associations were acceptable, indeed valued parts of the representational system, and this not only where corporatism was the norm. With its critiques of “statism” and too much reliance on the public sector for the provision of well-being, neoliberalism assaulted existing relationships of representation. Neoliberals mounted an assault on the identities of advocacy groups, labelling them “special interests” and seeking to delegitimize their claims in the eyes of the public (Jenson and Phillips, 1996; Schild, 2000: 282). Neoliberals favoured forms of representation that appeared to allow “individuals” and not groups

to seek representation. This vision has consequences for the capacity of some movements and groups to have their claims heard and certainly to achieve any positive results for their demands (Alvarez, 1999). The social investment perspective's focus on the community demonstrates the influence of a growing belief in the advantages of "the local," of subsidiarity and of citizen engagement. The design of governance arrangements in the emerging citizenship regimes relies extensively on notions of consultation, communication and local involvement, as has been described above.

### **Why social investment?**

The previous section has described a common trajectory in Latin America and parts of Europe (and Canada as well) towards social policy reform in the direction of a logic of social investment. Some instruments are quite similar (such as those targeted to human capital and the emphasis on NGO local and community-based delivery) and the common roots in a supply-side investment perspective are obvious. Other instruments are less similar (ECEC for fighting child poverty in Europe and CCTs in Latin America), but the policy goal is the same – breaking the cycle of poverty.

It is possible to tell the story of the move from classic neo-liberalism towards social investment separately for the two regions. In the case of Latin America the story can be told as a "local" one. Once in place, the Washington Consensus was quickly subjected to pressure for revision, to an adaptation that took into account institutional capacity, social equity and inclusiveness. Margheritis and Pereira describe a multi-stage adjustment process, with the last stage being a rethinking of what "development" in a broad sense should involve, and this resulted in designing what they call a "post-Washington Consensus more sensitive to the social debt" (2007: 38). One of the ways of demonstrating the complementarities of states and markets rather than their opposition, is to focus on the theme of poverty reduction and improving "equity without sacrificing growth" (Margheritis and Pereira, 2007: 38). These authors, in their review of the policy discussions, observe that "new 'conditional cash transfer' schemes have been applauded by some as successful approaches to poverty alleviation, much better than traditional pension programs, .... (Margheritis and Pereira, 2007: 39). A standard definition of CCTs is that they are targeted human-development programmes whose main aim is to enhance households' decisions about their investments in children (for example, Barrientos and DeJong, 2006: 542) and that they constitute a next-generation instrument for fighting poverty, replacing the more usual in-kind payments (food transfers, for example) that have been at risk of corruption and other diversions.

In the case of Europe, it is also possible to tell a "local" story. For example, in a major review of more than a decade of thinking about welfare and work in the European Union Anton Hemerijck (2007) describes the organised critique in 1997 of the "lop-sided view" that considered social policy generated negative economic outcomes. Policy communities composed of European and national decision-makers as well as academics pushed the point that social policy provisions can be productive factors that contribute to economic performance "in the new era of global competition, European integration, the transformation of the world of work, demographic ageing, and family change" (Hemerijck, 2007: 2). He summarises the general process this way (Hemerijck, 2007: 11):

The process of reform I have just highlighted involves a cumulative process, with each reform improving upon the shortcomings of previous measures in one policy area after another. And underneath this dynamic cumulative process, I would argue, we can observe a remarkable process of “contingent convergence” of employment and social policy objectives and outcomes, the adoption of increasingly similar policy initiatives, encouraged by the deepening of the EU economic regulation and social agenda, signalling a transition from a corrective and passive welfare state to a more proactive social investment strategy.

And this strategy, sometimes termed a developmental welfare state, depends in large part on a “child-centred social investment strategy” and a “human capital investment push” as well as pension reform (Hemerijck, 2007: 12-13).

Neither of these local stories – accurate as they are – can help us understand how cross-regional convergence around similar idea sets is occurring. It is possible to describe the ideas that have spread. More difficult is identification of the mechanisms by which this diffusion occurs. This last action of this paper will propose three such mechanisms that underpin the spread of ideas about social investment: identification of a contradiction; appearance of a rallying quasi-concept; cross-boundary work.

### ***The contradiction appears***

Numerous analyses have described the challenge that neoliberal ideas and diagnoses presented to the post-1945 welfare regimes.<sup>26</sup> No matter whether the primary logic was the egalitarian one of the social democratic form, the residual logic of the liberal regime type, or the security and status-protection logic of the corporatist (Bismarckian) ideal type, the 1980s and first half of the 1990s brought reductions in social rights, changes in governance emphasising less state control (either to the benefit of sub-national jurisdictions or the private sector), and significant alterations in relations of interest intermediation, with trade unions losing the privileged place they held in the golden age.

The promises of neoliberalism were huge. The political discourse of the late 1970s, in which political parties, governments and other important policy actors, such as the World Bank, International Monetary Fund and the OECD, spread the claim that the economic crisis of the 1970s clearly indicated that demand-driven macro-economic policy and protectionism (including import substitution strategies) had failed and that state spending and regulation were undermining economic capacity and international competitiveness. Neoliberal ideas blossomed in several different locales. By 1979 in Britain and 1980 in the United States, neoliberals had captured the Conservative Party of Margaret Thatcher and the Republican Party led by Ronald Reagan, and their ideology had entered the mainstream of right-wing discourse. Such ideas shaped policy in Chile during the dictatorship of Augusto Pinochet, under the direction of the “Chicago Boys,” and were spread throughout Latin America. Neo-liberal strategies dominated New Zealand politics as early as 1984, promoted by Treasury officials, many of whom were trained in economics at the University of Chicago (Larner, 2003: 510). Indeed, the New Zealand “experiment” was held up as a model – and a threat – across the OECD. And, of course, the International Monetary Fund intervened to force structural adjustment around the world. The

promise was that freeing markets and reducing the role of the state would generate well-being for all.

By the mid-1990s, however, straightforward neoliberalism had hit an ideational, political and economic wall. The promised cutbacks in state activity and massive savings in state expenditures failed to materialise (Castles, 2005; Huber and Stephens, 2001: 2), despite the insistence by neoliberals that their main goal was slashing state expenditures. Nonetheless, and despite the continued spending, social problems deepened in the North as well as the global South and poverty rates mounted, notwithstanding the promise that structural adjustments would reduce poverty. Resistance to retrenchment and neoliberal politicians began to generate electoral successes for the political left. And then, in 1997, the Asian crisis – or what is sometimes called the “IMF crisis” – destabilised the international economy in a frightening way. As Moisés Naím, editor-in-chief of *Foreign Policy*, said to a major IMF conference in 1999 about the “global brand” invented in the mid-1980s and labelled the Washington Consensus: “What was implemented was usually an incomplete version of the model and its results were quite different from what politicians promised, the people expected, and the IMF and the World Bank's econometric models had predicted” (1999: 5 of 26).

The accumulation of these contradictions between neoliberal promises about how the world would work and the observation of how it did work opened space in political discussion for new analyses and, often, internal disputes with organisations. This political discussion took off in a variety of different, and not necessarily linked locations in the mid-1990s. In several international organisations it finally became possible to question neoliberal analyses.<sup>27</sup>

For example, Naím's (1999) detailed recounting of what he calls the “Washington confusion” documents the ways in which debates among mainstream economists in and around the Bank and IMF were shaken by events, and immediate efforts to “give adjustment a human face” followed (Porter and Craig, 2004: 396). The 1994 armed up-rising in Chiapas, launched the same day that the North American Free Trade Agreement (NAFTA) came into effect, raised doubts: “... Mexico had been the example used by proponents of the Washington Consensus everywhere to support their case” (Naím, 1999: 10 of 26). Coupled with the failed but popular coup two years earlier by Colonel Hugo Chavez in Venezuela – another country much admired for its dramatic market reforms – many drew the lesson that “institutions matter” and launched discussions about how to reform them. These institutions were not, moreover, only financial ones; well-functioning health care, courts, local governments and so on became the focus. This in turn opened the way for new policy experts to engage in debate, one that widened even further when the disputes across institutions broke out over the IMF's handling of the Asian crisis; Joseph Stiglitz of the Bank publicly criticised the IMF strategy as did several academic economists of the elite inner circle. Ultimately, and again according to Naím (1999: 15 of 26) – who is not at all enthusiastic about this broader agenda – “concerns about states that were too strong has now given way to concerns about states that are too weak. ... Investing in physical infrastructure used to be the focus of the efforts of most multilateral development institutions. Today, investing in “social capital” and developing the organizational infrastructure of civil society is seen as an obvious, albeit formidably difficult, goal.”

As we seen, beneath these very public debates conducted in newspapers of record, major international conferences and legislative committees, agents of these same institutions were already inventing and spreading programmes, such as social investment funds, meant to plug the holes and alleviate the worst effects of structural adjustment on the poor. By 1990 the *World Development Report* took poverty as its focus, and internal analyses discussed instruments for alleviation (Deacon, 1997: 65). They opened space for some people from the World Bank to join with the *poverty reduction paradigm* being developed by, among others, the International Fund for Agricultural Development, Organization for Economic Cooperation and Development's Development Assistance Committee, Oxfam International, United Nations Development Program, UNICEF, and the United Kingdom's Department for International Development" (Salinger and Stryker, 2001: iv).

This poverty reduction paradigm emerged in the early and mid-1990s around a set of explicit and quantifiable goals for international development that originated in agreements and resolutions of the world conferences organized by the United Nations in the first half of the decade, formally adopted by the development ministers of the OECD in 1996, and confirmed by the United Nations Millennium Declaration of 8 September 2000. These actions were generating social policy thinking of a "safety net" sort (Deacon, 1997: chapter 3), but nonetheless they did constitute a rehabilitation of social policy as a legitimate form of state action.

Another location in which the contradiction between the promises of neoliberalism and its outcomes occurred was in the OECD. In the 1980s, the OECD had been the leader of the "welfare as a burden" position, diffusing the key idea among its membership and within policy communities at its 1980s conference on the welfare state in crisis, that "social policy in many countries creates obstacles to growth" (quoted in Deacon: 1997: 71). By the early 1990s, however, concerns about stability and the limits of structural adjustment, in the OECD and elsewhere, bubbled up in the idea sets of OECD officials. Social cohesion became a key word in policy discussion, and warnings appeared of the need to balance attention to economic restructuring with caution about societal cohesion, in order to sustain that very restructuring (Jenson, 1998: 3; 5).

And then, other institutions and groups were noticing that neoliberalism seemed to have particularly negative effects on children and "child poverty" began to emerge as an object of analysis. UNICEF's Innocenti Centre published its first report on causes and consequences of child poverty in the United States in 1990, and its research programme generated important publications by the end of the decade. In Britain, the effects of 15 years of Thatcherist neoliberalism were measured, in part, by the fact that one child in three was officially poor.

Political Lefts were mobilising against neoliberalism throughout the 1990s, and the contradictions between the promises and the realities of neoliberalism provided significant purchase, as it did to the coalitions of anti-poverty activists gaining influence in political systems at multiple levels.

Nonetheless, this first mechanism – identification of a contradiction – can not by itself account for the emergence of a social investment perspective as the way to address poverty. The diagnosis became the "problem of poverty" and especially its new forms and its persistence.

This first step was important because other diagnoses did exist, such as “lack of sufficient markets” (which neoliberals continued to claim) or “insufficient redistribution,” “too much liberalism” and so on. That rapidly growing and entrenched poverty was identified as the key contradiction does reflect a shift away from the social citizenship paradigm of the post-1945 decades. But why settle on social investment?

### ***Rallying around social investment***

Work on the diffusion of ideas has frequently noted that those that spread best are ones that can draw together numerous positions and sustain a moderate to high level of ambiguity. Such notions have been termed “an idea” (McNeill, 2006: 335) and a “quasi-concept” (Bernard, 1999). Their commonality is that they have scientific legitimacy, often having been generated by academic research, but they also provide a common sense meaning open to multiple interpretations. McNeill and colleagues have traced the biographies of several such ideas (such as sustainable development and social capital) in the development field while others have focused on social cohesion (Jenson, 1998; Bernard, 1999; Helly, 1999), social capital and so on. Social investment is one such quasi-concept.

As described above, social investment appeared in the development discourse in the 1980s, first as a minor instrument – social investment funds – needed to correct certain effects of structural adjustment. The choice of the term reflects the supply-side orientation of the Banks and other bodies that promote that instrument. Keynesians are demand focussed, and their preferred instruments are those that create employment. The shift to supply-side analyses under neoliberalism led to attention to “problems of supply” and solutions that called on workers to make themselves more employable. The social investment perspective retains a supply-side focus, but adds the notion that poverty and lack of access to services (including education) can hinder adequate supply. In addition, among economists and those familiar with markets, “investments” will always appear in a more positive light than will other words for what was being done, such as “emergency transfers” and so on. It is a notion which fit well with the market-orientation of neoliberalism, and would soon be joined in international institutions by another popular market term – social capital – which then allowed the felicitous phrase “investing in social capital” to take hold.

But, it was the OECD as it moved away from its classic neoliberalism which really promoted the notion of social investment. Again, the term itself was useful both to refer back to neoliberals’ preference for markets as decision locales, all the while allowing a distinction to be made between the old days of social protection and social spending. Its ambiguity was its simultaneous backward and forward look. Social investment served this purpose for many more institutions than the OECD, of course, but that IO gave it its earliest expression as an approach to “modernisation.”

Following directly from the concerns mentioned above, the solutions proposed by the OECD were phrased in terms of social investments. The new orientations adopted by the 1992 ministerial conference included the premise that “non-inflationary growth of output and jobs, and political and social stability are enhanced by the role of social expenditures as investments in society” (quoted in Deacon, 1997: 71). This led to the argument that there was a need to spend rather than simply cut back in the social realm. The high-level conference, *Beyond 2000: The*

*New Social Policy Agenda*, concluded with a call for a “social investment approach for a future welfare state.” The way forward was described this way: “A new approach to social protection will have a stronger emphasis on interventions earlier in life and more preventive (and less remedial) measures. ... Social expenditures must move towards underwriting social investment” (Pearson and Scherer, 1997: 8-9; see also OECD, 1997).

The position of the OECD is detailed here *not* in order to imply that it simply spread the idea of social investment. Rather, we describe it because in OECD documents we find, in summary form, the principal elements that have shaped the social investment perspective and practices over the last decade. These are the beliefs that: good social policy requires a future time orientation; good economic outcomes depend on good social policy, because social inequities may undermine economic innovation; good social policy depends less on how much is spent than on where investments are made; fiscal prudence is a value in itself; investments are necessary in social inclusion as well as human capital, in order to ensure that flexibility and innovation are maximised; governance matters, expressed in public-private partnerships and revamped public administrations.<sup>28</sup> These ideas have diffused widely.

This version of the social investment perspective is, of course, very different from the notion of emergency relief, that had generated the first social investment fund in Bolivia in 1987, or even the focus on employment creation. This vision was one of long-term investments, spending for the future. Nor is it simply an anti-poverty measure; social investments are for the middle-class too. It is an understanding of public interventions, in other words, that rallies those who want social policy to focus on education, including early childhood education, on training, and on making work pay as well as those who are concerned about child poverty. It can also rally intellectuals such as Giddens to become the social investment state of modern social democracy (1998: Chapter 4). With the key notion that social spending is not a burden but an investment in economic growth, the European Union could quickly move towards its own version, describing *Social Policy as a Productive Factor* under the Dutch Presidency of 1997 (Hemerijck, 2007: 2).

This vision could also feed back into the development community, to underpin conditional cash transfers to mothers of young children who agreed to send them to school and the doctor, as well as to young people who stayed in school. While conceived as “pro-poor” measures, they share the same notion of how to break poverty cycles as do spending strategies in European countries which now focus on “child poverty.” Reliance on such instruments, put into place by central governments even if delivered at the local level, also marked the return of the state that occurred in the very same years, when, for example, the 1997 *World Development Report* was titled “The State in a Changing World,” a choice that has been described as marking a rehabilitation of the state (Evans and Rauch, 1999: 748). Such feed back, however, depended on certain traditional boundaries being transgressed.

### ***Crossing boundaries***

Ideas such as social investment cross worlds of knowledge, as we have noted. Their capacity to link academics and policy-makers gives them power, when claims to science can be made by policy-makers and claims to expertise and relevance by academics. But there are other boundaries which exist in the worlds of policy ideas. Therefore, the third mechanism discussed here is that of “boundary work.” This notion has been developed by those who study science

policy communities, and “the notion of boundary work aims to explain linkages between different social worlds and the negotiations that are part of what appears objective and value-free codified knowledge” (St. Clair, 2006: 64). While most often deployed by those who seek to understand demarcation between “science” and “non science,” it has also been applied to co-production of knowledge about global poverty by St. Clair, and particularly to the World Bank (2006). The notion of boundary work can be adopted and adapted here, in order to highlight three types of boundary crossing that have occurred as the notion of social investment has been diffused.

First, there has been the classic movement across the border of universities and political organisations. The debates about the Washington Consensus provide a good example; Naím recounts the on-going arguments among economists in Washington and elite American universities about what should be done. The OECD and European Union have also called upon a relatively limited set of academics to comment on welfare state reform, and therefore there are appearances and reappearances across the institutions by the same experts. As these academically-based experts intervene – usually at the behest of the institutions – they capture and invent conceptualisations that can then be deployed more broadly within the institutions.

Thus, notions of social investment moved around among (i) the on-the-ground policy world of aid workers and funders who built an informal community of practice (Van Demolen, 2003: 4)<sup>29</sup>, (ii) the upper reaches of the Banks, (iii) the internal research units of the OECD (Deacon, 1997: 70ff), (iv) the Labour Party’s commission for reinventing the party (Powell, 1999: 21), (v) the ministerial meetings of the OECD and so on. Some of this movement can be tracked as exchange. For example, Deacon (1997: 71) asserts that the OECD official responsible for drafting the new orientations for social policy in the early 1990s was “learning perhaps from parallel work of the OECD Development Centre which, in its review of the dynamic South East Asian economies concluded that ‘limited but effective action by the state ... [has led to]... rapid return to growth’.” Similarly, Gøsta Esping-Andersen has been involved in major “rethinking” conferences of both the OECD and the EU, while Anton Hemerijck has written analyses for several Union presidencies. However, the movement of ideas across these boundaries remains difficult to track because the object that is moving is the idea or the word itself, which may then be appropriated in its own way.

A second form of boundary crossing is that within academic (and institutional) traditions. “One of the undoubted historical contributions of the Washington Consensus is that it marked the end of the de-coupling between development economics and mainstream economics that had gathered steam since the 1970s” (Naím, 1999: 7 of 26). In other words, this breakdown of a boundary allowed the “economic-technocratic nexus” that McNeill (2006: 346) as being so important in spreading ideas to merge. The very separate literatures that drove “development studies” and “policy analysis” began to overlap. This observation also renders plausible the exchange across units of the OECD that Deacon describes.

Finally, the third form of boundary crossing was the creation of new and larger coalitions of institutions and the NGOs and other actors in their orbit. This blurring of boundaries is most familiar in the European Union, which as an institutional complex of 27 member states has the explicit mission of, if not harmonising social policy practices, certainly fostering coordination by

exchanging best practices. While member state governments maintain their room for manoeuvre, there is no denying that ideas about social problems and solutions are moving rapidly from place to place, and from level to level. As described above, there was also the creation of a coalition around an anti-poverty paradigm that included actors from several UN agencies, the World Bank, national governments and the OECD. In such groupings ideas begin to spread, and in that particular coalition the importance of investments in health and education was one such idea (Salinger and Stryker, 2001: 12). A third example comes from NGOs which maintain broad-based contacts across regions. These are too numerous to describe but one that is particularly relevant for the spread of the social investment perspective is the Progressive Governance Summits, in existence since 1999. Strongly promoted by Tony Blair, the membership includes Chile (and since 2006 Uruguay). It has an on-going focus on social policy, social cohesion, and investing in children.<sup>30</sup> The enthusiasm of UNICEF representatives in Chile for such investment must be counted, of course, but the Progressive Governance Summits (and the expert meetings between them) provided one reinforcement among many for Michelle Bachelet's idea to institute the new child care programme.

All three of these mechanisms help to understand how the ideas of social investment have come to be shared across regions.

## Notes

<sup>1</sup> While many tropes are part of the neoliberal canon, there are several upon which everyone agrees: that the role of the state should be reduced; that individuals should take greater responsibility for their personal situations; that markets should be freed from regulation because markets are the best mechanisms for the distribution of well-being; that governance should not only be done with a light hand but that it should involve private sector "partners" as much as possible – steering is better than rowing. In other words, the neoliberal canon can be summarised as involving market deregulation, state decentralisation, and reduced state intervention.

<sup>2</sup> For example, despite identifying differences between human capital and labour force attachment approaches to employment strategies, Theodore and Peck (2000: 88-89) work to conclude that they are *both* examples of social policy complements to neoliberal labour market policies.

<sup>3</sup> Jamie Peck recently and enthusiastically quoted Stuart Hall who depicted New Labour in Britain as "... what Lenin might have called 'the best shell' for global capitalism" (2004: 393).

<sup>4</sup> This approach is close to that of those who assert "neoliberalism seems to be everywhere." Porter and Craig say the process of embedding "... looks like what Tickell and Peck ... describe as the 'rolling out' phase of (neo-) liberal reform" (2004: 392).

<sup>5</sup> Margheritis and Pereira (2007: 27ff) describe the Hayekian influences in the Washington Consensus, coming from, for example, disciples of Milton Friedman, and the shift towards more Polanyian thinking, represented for example by Joseph Stiglitz.

<sup>6</sup> As governments began preparing post-war monetary plans in the 1940s, two proposals shaped the process: a British Plan, presented by J.M. Keynes in 1943, suggesting an International Stabilization Fund, and the American response to this initiative, shepherded by Harry Dexter White, deputy secretary of the U.S. Treasury. A Technical Experts Meeting brought together representatives of Belgium, Bolivia, Canada, Czechoslovakia,

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Ecuador, France, the Netherlands, Norway, Philippines, Poland, the United Kingdom, and the United States, and it prepared the Bretton Woods Conference of July 1944. Attended by 44 governments' representatives, the Conference established three commissions, chaired by White, Keynes and Dr. Eduardo Suarez from Mexico. From <http://www.imf.org/external/np/arc/eng/fa/BWC/overview.htm>. Consulted 2 August 2007. In contrast, when the World Trade Organization was created in 1995, it started with 76 members and by 2007 had 151, with a Director-General from the European Union and four Deputies, one each from Latin America, Africa, India and the United States. From [www.wto.org](http://www.wto.org). Consulted 2 August 2007.

<sup>7</sup> This paper focuses on diffusion of ideas rather than policy transfer. Dolowitz and Marsh distinguish between the two, with diffusion described as a process more than the transfer of specific policy content, such as a programme or instrument (1996: 344-45). Many of those interested in the diffusion of ideas and meaning systems draw on theories of power, such as those of Gramsci (for example, Jenson, 1990: 59-66; Jobert and Muller, 1987; McNeill, 2006: 335).

<sup>8</sup> In his analysis, Alain Noël (2006: 315) glosses over an important distinction between employment-focused policies, which are the traditional policies for income security in the post-1945 years, and the policies explicitly focused on social inclusion and marginal populations, which signal a shift in European and EU thinking. The latter tend to focus on the "new social risks" whereas the former are concerned with the "old" social risk of unemployment and retirement income, and can not be classified as "anti-poverty" policies in the same sense as are those focused on "child poverty" or the "pro-poor" approaches of the development community.

<sup>9</sup> While the United States' focus on marriage promotion as a social policy tool was an outlier for more than a decade, the idea has recently captured attention in Britain, where a report to the Conservative Party was hailed by the leader, David Cameron, because it would "send a clear and unambiguous signal about marriage." From *The Independent*, 11 July 2007. At <http://news.independent.co.uk/uk/politics/article2753394.ece>. Consulted 3 August 2007.

<sup>10</sup> Some other examples of the use of the concept relevant to this paper are Jenson and Phillips (1996); Yashar (1999; 2005); Jenson and Papillon (2000) and Kohl (2003).

<sup>11</sup> The metaphor of the welfare diamond underpins the responsibility mix. It disaggregates the three "welfare pillars" described by those employing the concept of welfare regime (for example, Esping-Andersen, 1999). Where the three pillars of welfare regimes are state, market and family, we suggest that it is important also to consider *four* sources of well-being. Distinguishing the community sector from both the family and the market provides a better handle on processes of shifting responsibilities and governance.

<sup>12</sup> Richards (2000: 195) describes neoliberalism's shift this way: "The Inter-American Development Bank's *Frame of Reference for the Modernization of the State and Strengthening Civil Society* is explicit about the relationship between restructuring the state and organizations in civil society: 'The change in the role of the state involves a transfer to citizens of responsibilities for production and services and for the control of and participation in public administration. Responsibilities divested by government may be assumed by either the private entrepreneurial sector or by civil society organizations'."

<sup>13</sup> The OECD (2003: 17) makes the case for these instruments being social investments in this way: "In a publicly funded asset-building scheme, the funds that match household savings or constitute the endowments of a "baby bond" programme really are not government current expenditures. They are savings, just like those of the households they benefit. Forget how government budgets may treat them; in the national economic accounts, they ought to be counted as "government saving", which is to say "government investment". In effect and under the rules of the schemes, governments transfer to households a portion of current revenues as a claim on human or physical capital. This forms the foundation for the idea of *social investment*. Following the reasoning above, it ought to be possible to simulate *ex ante* and to measure *ex post* social investment's net return over time, in terms of both economic growth and reduced income transfers because (if the arguments for Asset Building are correct) fewer people would live in poverty."

<sup>14</sup> See <http://www.childtrustfund.gov.uk>.

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- <sup>15</sup> See [http://www.hrsdc.gc.ca/en/hip/lld/cesg/publicsection/CESP/Canada\\_Learning\\_Bond\\_General.shtml](http://www.hrsdc.gc.ca/en/hip/lld/cesg/publicsection/CESP/Canada_Learning_Bond_General.shtml).
- <sup>16</sup> See <http://www.oportunidades.gob.mx/jovenes/jovenes.html>.
- <sup>17</sup> The case for asset-building as a new welfare policy approach, in comparison the outdated models is made in OECD (2003: Chapter1).
- <sup>18</sup> The literature on European pensions is enormous. For some comparative work see Bonoli (2000).
- <sup>19</sup> According to UNICEF's representative in Chile, "This means that investing in children is considered a key element for the development of the country, and I think that this is very important, the fact that we start investing in early childhood". See [http://www.unicef.org/infobycountry/chile\\_36227.html](http://www.unicef.org/infobycountry/chile_36227.html). Consulted 3 August 2007.
- <sup>20</sup> See [http://www.unicef.org/media/media\\_33187.html](http://www.unicef.org/media/media_33187.html). Consulted 3 August 2007
- <sup>21</sup> Unless otherwise indicated, information is from Soares *et al.* (2007).
- <sup>22</sup> See for example Barrientos and DeJong (2006), as well as Soares (2007).
- <sup>23</sup> On Latin America, for the neoliberal period Yashar (1999: 86). For the continuation of this decentralisation see Marques-Pereira (2007). On Europe see Le Galès (1995).
- <sup>24</sup> See the long quote provided by Deacon (1997: 69) from the 1994 book, *Safety Nets, Politics, and the Poor*, written by Carole Graham, a former Vice-President of the World Bank: "Rather than focus their efforts on organized interest groups – such as public sector unions – which have a great deal to lose in the process of reform, governments might better concentrate their efforts on poor groups that have rarely, if ever, received benefits from the state."
- <sup>25</sup> This lack of legitimacy for collective actors, especially the social partners, within the social investment perspective provided the main line of criticism of the original Third Way by Jacques Delors (2002: 12ff.).
- <sup>26</sup> For the European and American literature see, most recently, Palier (2007).
- <sup>27</sup> On the main global IOs and the OECD see Deacon *et al.* (1997: Chapter 3). On the Inter-American Development Bank see Richards (2000: 196).
- <sup>28</sup> These ideas are summarised in OECD (1997).
- <sup>29</sup> "It is worth noting that it was done from the bottom-up – there were no formal World Bank policy papers on social funds, no directives that they should be set up in every country, no lending targets, no overall strategy. The design and development of social funds was driven almost exclusively by frontline operational staff. Originally, a handful of staff working on social funds met informally in 'brown bag lunches' or organized study tours that brought in both World Bank staff and representatives from developing countries to see how funds operated in the field. At the social fund level, it was not uncommon for the Bolivia social fund, or the Zambia social fund, to receive a steady stream of visiting delegations. Indeed, the expansion path of the early social funds was tied to key people, both within the Bank and through direct government to government contacts. Several social fund staff, who had largely been recruited from the private and NGO sectors, moved into consulting on the establishment of social funds in other countries. These ties and contacts helped the experience leapfrog between the regions quickly." (Van Demolen, 2003: 4).
- <sup>30</sup> For a history of the summits and membership current to winter 2006 see <http://www.pgs.gov.za/history.htm>. Consulted 15 August 2007.

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