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LEVERAGING SOCIAL VALUE:

MULTIPLE VALUATION LOGICS IN THE FIELD OF SOCIAL FINANCE

by

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A thesis submitted to

City, University of London

for the degree of

DOCTOR OF PHILOSOPHY

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For Constantin,

aut non rem temptes aut perfice

(Ovid, our patron)

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Declaration

I declare that the work presented in this thesis, except those elements specifically declared, is all my own work carried out and finished at City, University of London.

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Abstract

What are the mechanisms behind the advance of financial actors, instruments, and models into the field of social policy design and delivery? Over the past couple of decades, the state's function as provider of welfare and safety nets against various forms of socio-economic risk has been transformed not just by privatisation or downsizing, but also by the advent of alternative forms of social policy delivery. One example of the latter is social impact investment, a form of investing in social programmes with the intent of pursuing social (and environmental) impact alongside financial return, and yielding innovative financial instruments such as social impact bonds, social stocks, or community bonds. The emergence of this field is generally seen as an outcome of the broader process of financialisation. From this perspective, both financial return and social policy objectives can be achieved via the straightforward implementation of existing financial instruments and methodologies. However, the very process of implicating existing financial technologies in the sphere of the pursuit of social outcomes generates its own set of dynamics. This study focuses on these dynamics from the perspective of the valuation processes underpinning the emergence of social impact investment. It argues that as finance engulfs this field, it engages in a valuation process of fashioning and delineating a hybridised form of value – blended value – supporting its advance, which is distinctly separate, though not independent, from financial value creation. The result of this process is the concomitant proliferation of non-financial spaces of valuation, which come not to replace, but to accompany and support financialisation. In order to make this argument, it looks at the case of the valuation processes undergirding the launch of the world's first social impact bond in 2010 in the UK. Besides providing an empirical account of the latter, it also makes a theoretical contribution to the literature on financialisation by deepening the understanding of the manner in which financial actors, instruments, and markets advance in non-financial realms.

1. The financialisation of social policy

This thesis seeks to understand the mechanisms and forces behind the spread of financialisation to areas usually relegated to the state's role as a welfare provider. Specifically, it looks at the emergence of novel financial instruments such as Social Impact Bonds (SIBs) – originally created by governmental institutions or enterprises with the intent of addressing social issues or achieving social policy objectives – as an instance of financialisation and a pathway to understanding the mechanisms behind the advance and expansion of finance. It seeks to develop a framework that would link the growing importance of financial instruments, benchmarks, actors, and markets – something generally subsumed under the name of financialisation – to the administration of specific populations or social classes by state agencies. As such, it proposes a perspective that forges a dialogue between two different scholarships: first, the emerging literature on financialisation, which looks at the growing importance and spread of finance in society at large; second, the just-nascent scholarship on valuation, which considers the socio-technical practices in which the value (or values) of something is (or are) established, assessed, negotiated, provoked, maintained, constructed, and/or contested.

SIBs first made their appearance in the UK in 2010 as a new financial instrument that was designed specifically with the intent of overcoming budgetary constraints in an era of austerity. SIBs are a contract with the public sector in which social investors provide upfront capital for organisations like social enterprises in order to undertake social programmes that are of interest to a particular government, with the latter paying the investors a specific return usually at the end of the programme and based on the outcome received. This instrument spanned traditionally separate categories of state, market, and civil society, and summoned actors from each field while at the same time gravitating around the goal of tapping into capital markets and the wealth of private financial actors in order to fund social programmes. Even before the evaluation of the efficiency or indeed feasibility of the novel instrument was published, SIBs proved to be an irresistible proposal for other governments around the world as well, so much so that in the first half of 2017 there already were 74 specimens across 18 countries and 5 continents. What, then, explains the precipitation and wholeheartedness with which they were adopted in such diverse corners of the world? What do these instruments and the phenomenon of their emergence and proliferation stand for? The usual answer to these questions is that we are witnessing here a process of financialisation – the creation new frontiers for capital accumulation through the advance of finance into non-financial spaces. Financial instruments, benchmarks, actors, and markets expand and engulf various dimensions of social existence and reduce them to opportunities for the extraction of financial value. While the financialisation proposition is, by and large, a fair description of the state of play, this is not the whole story.

The main argument put forth is that the financialisation befalling the field of social policy occurs not so much through *absorption* into a financial logic, but rather through the *proliferation* of non-financial spaces of valuation. The creation, promotion, and institutionalisation of the social impact investment market results not in a reduction of other forms of value to financial value, but rather in the emergence and spread of novel types of values. SIBs do represent an innovative financial instrument, but the values that they encapsulate cannot simply be reduced to financial values; on the contrary, their very emergence is undergirded by the creation of hybridised forms of value that are not merely iterations of financial forms of value but singularities and novelties in their own right.

The main contention this thesis will be attempting to make is to show how the emergence of a market in innovative financial instruments, which in this case fund social policy programmes, does not necessarily imply the absolute integration of non-financial spaces into financial dynamics and does not necessarily preclude the development and consolidation of other value forms as part of this process of financialisation. Financial innovation, therefore, can be accompanied and even supported by alternate and multiple forms of value created for this goal. The latter, it will be showed, preserve the specificity and unicity of non-financial sites and create possibilities for actors operating in the field to pursue, to varying degrees, one category alongside the other. Against the conventional narrative, then, a case will be put forth that SIBs show how financialisation may occur via the creation of non-financial forms of valuation.

Specifically, this thesis finds that the financialisation of social policy design and delivery was accomplished via a valuation process occurring in three phases: an initial, exploratory part comprised of *negotiation* and *selection*, where the meaning and purpose of a new value form – blended value – was negotiated, followed by the selection of a dimension of social reality where the new value form would be created – the realm of ex-offender rehabilitation; a systematising part consisting of *ordering* and *abstraction*, where ordering the interaction of actors participating in the creation of the new value form through an SIB was decided upon, after which the methods for abstracting and accounting for value creation were established, in order to provide evidential data; and, finally, a public act of *standardisation*, which included the creation of classifications, benchmarks, and performance indicators in an accessible, homogeneous, and transparent fashion, followed by a political act of *institutionalisation* through the adoption of national and international acts for entrenchment and promotion of blended value and social impact investment. This valuation work resulted thus in the creation, promotion, and institutionalisation of blended value – the mutual pursuit of social and financial value creation – which would become the foundational and generative force tying the field of social impact investment together.

The consequence is that, through the pursuit of blended value creation, capital accumulation can indeed advance in non-financial domains, but only whilst being concomitant and in an intimate relation with particular types and degrees of social value creation (e.g. reduction in ex-prisoner re-offending, increased employment, improved educational attainment, bettering of health status, reduction in homelessness). Social entrepreneurs operating within impact investment programmes can thus pursue the augmentation of social value to various degrees: sometimes they are completely unimpeded by financial actors, at times they need to negotiate with the latter, whilst other times they might find themselves following strictly the instructions of the project funders. Either way, the thesis contends that financial return is predicated on the specific performance of essential social indicators, which in turn renders the whole process the financialisation of social policy design and delivery dependent on the dynamics of these non-financial elements. The twin contributions that result from this insight are a theoretical one about some of the potential mechanisms underlying the process of financialisation, and an empirical one about the creation and establishment, through engaging in valuation work, of blended value as a foundation for a financialised social policy sector: social impact investment.

This chapter continues as follows: the next section provides a historical outlook at the expanding market for SIBs, before moving on to outlining the research aims, questions, and limits. This is succeeded by a discussion of the methodology chosen for this study and, finally, by an outline of investigation.

2. SIBs: The state of play

SIBs are the most talked about instrument stemming from the slow and sprawling emergence of the social impact investment market. Whilst the latter has been around for more than a decade, until the coming of age of SIBs it had developed under the sign of uncertainty and as a result of isolated and unrelated investor initiatives, and thus had lacked a clear impetus and direction that might have entrenched it as a legitimate and popular investment strategy. This also prevented it from developing supporting institutions like rating agencies, secondary markets, or dedicated funds, and robbed it of the potential for development. It is not the same case with SIBs, whose first iteration was explicitly designed as the state of the art in social investment and for the purpose of creating a track record and laying the groundwork for a proper social investment market. Ever since their launch in 2010, SIBs have rapidly grown in popularity, and what is impressive is not just their number, their value, or the increasing span of the social areas they target, but also the fact that they have been adopted by a great majority of the varieties of capitalism of the contemporary global economy, and they have thus proved not to be a mere Anglo-Saxon singularity explainable through local-cultural factors like austerity or the finance-led economy model but a rather global phenomenon.

SIBs are therefore the most representative and popular instrument of the social impact investment market. As of July 2017, there were 74 SIBs across the world, with 32 projects underway in the UK, addressing workforce development, housing / homelessness, child and family welfare, education and early years, criminal justice, and health (Social Finance, 2017). So far, SIBs have raised $278 million (see Figure 1). The first SIB was the Peterborough Prison SIB, launched in 2010 and created with the intention of reducing reoffending by short-sentence prisoners from Peterborough Prison. A detailed analysis of the first SIB will be provided later on, but suffice it to say here that it was meant to be a pilot project, a demonstrative initiative through which the government attracted traditional actors that funded social projects such as charities, philanthropic institutions, and endowments, and partnered with them in order to make the case for SIBs to private investment firms or individuals, or, more generally, to the capital markets.

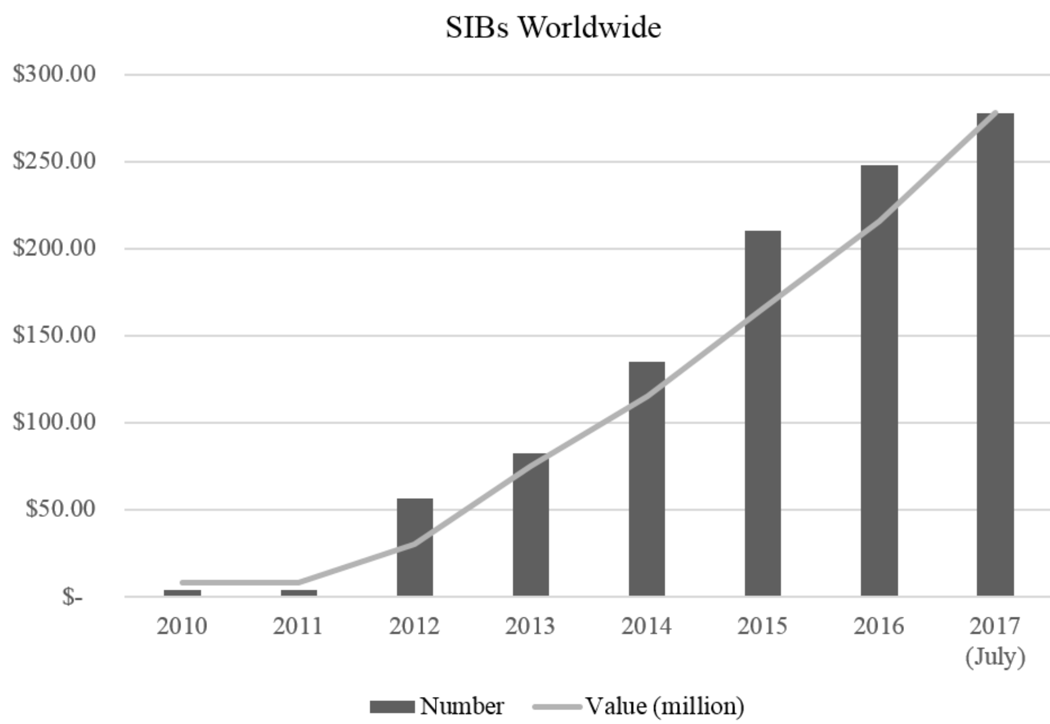


Figure 1. SIBs Worldwide. Source: Social Finance UK. Author's calculations.

In mid-2014, the Peterborough Prison SIB was still a work in progress, but at the first assessment in early 2014, it reduced re-offending by 8.4%, which was below the 10% threshold that would have triggered early payments (only one cohort out of two was assessed at that time). However, the news was taken as a positive signal, given that the overall threshold is 7.5%, which means that the target would have most likely be met and payments to investors would have been fulfilled. That said, in 2013, the Ministry of Justice announced a major revamp to its offender rehabilitation programme, sending mixed signals to the people involved in the SIB project, given that both addressed the same issue. On the 13th of March 2014, the Rehabilitation Bill received Royal Assent. The accompanying news article published on the government website read: "the new law means that, for the first-time, virtually all offenders will receive at least 12-month's supervision in the community on release from custody" (HM Government, 2014). That effectively rendered the Peterborough Pilot SIB superfluous, and led Social Finance to publish a press release on the 24th of April stating that, while they believe the SIB was successful in achieving its goals for that far, the service will continue to be funded but under different arrangements, and that the third and fourth cohort will not yield any outcome payments (Social Finance, 2014). In other words, the first SIB's lifespan was cut short by massive governmental overhaul. Nevertheless, at the same time, the SIB market was being promoted in the UK through various policies and events, and SIBs were being launched increasingly throughout the world. The frustration regarding the unravelling of the first SIB caused only mild and temporary jitters in the SIB environment, and did not prevent it from expanding and reaching other corners of the globe. The resistance and potency of the SIB phenomenon in spite of some hiccups is telling enough of the appeal of this innovative financial arrangement.

The commissioner for 14 out of the 32 bonds currently in operation in the UK was the Department of Work and Pensions, the largest government department in the UK, dealing with welfare and pension policy. The second largest commissioner is the Cabinet Office Social Outcomes Fund (13), followed closely by the Department for Communities and Local Government (7), Ministry of Justice (5), and others (Social Finance, 2017). Most of the programmes funded are concerned with workforce development (14) and housing / homelessness (9). The structures of all these bonds are slightly or even radically different, depending, as mentioned above, on the actors involved, sources of finance, methods of delivery, area of operation, etc.

As of July 2017, there were 42 SIBs in 18 countries outside the UK[1] - with the lion's share in the US (14), the Netherlands (7), and Canada (3). Disregarding the fact that there are 70+ more SIBs under development, these 42 in operation bring the grand total of live SIBs to 74. While in the first two years after the launch of the Peterborough Prison SIB only one other bond was created, the number increased to 14 in 2012, gradually growing to 22 in 2013, 36 in 2014, and 66 in 2016. The fact that the number of live SIBs reached 36 in 2014, even before the first essential assessment of the performance of the Peterborough

[1] SIBs are called Pay for Success Bonds in the US and Social Benefit Bonds in Australia. For the purposes of this thesis, they will all be called Social Impact Bonds, unless in instances where a specific geographic difference is relevant for the analysis and the regional name will be employed.

SIB and of the viability of SIBs in general, attests both to the eagerness of governments around the world to create such bonds and to the popularity among a myriad of international actors to fund the initiative. The readiness of governments to forgo detailed evaluations of the risks and implications of using SIBs after enough empirical data would become available means that there is an underlying trend that has to be explained.

SIBs in operation around the world can be broadly divided in eight distinct categories (see Figure 2), depending on the social policy objective that the SIB is meant to address (Social Finance, 2017): by far, the most common category is the one dealing with workforce development (28), tackling an endemic issue in the countries that employed such SIBs and especially in the wake of the financial crisis in Europe, when these countries have seen youth unemployment (under-25s) soar to historic records (Guardian, 2013b). The second most common category is dealing with housing and homelessness, with 13 other SIBs, while the third category is the one addressing child and family welfare, with 9 SIBs. The other categories are: education and early years (8), health (7), environment and sustainability (1), and adults with complex needs (1).

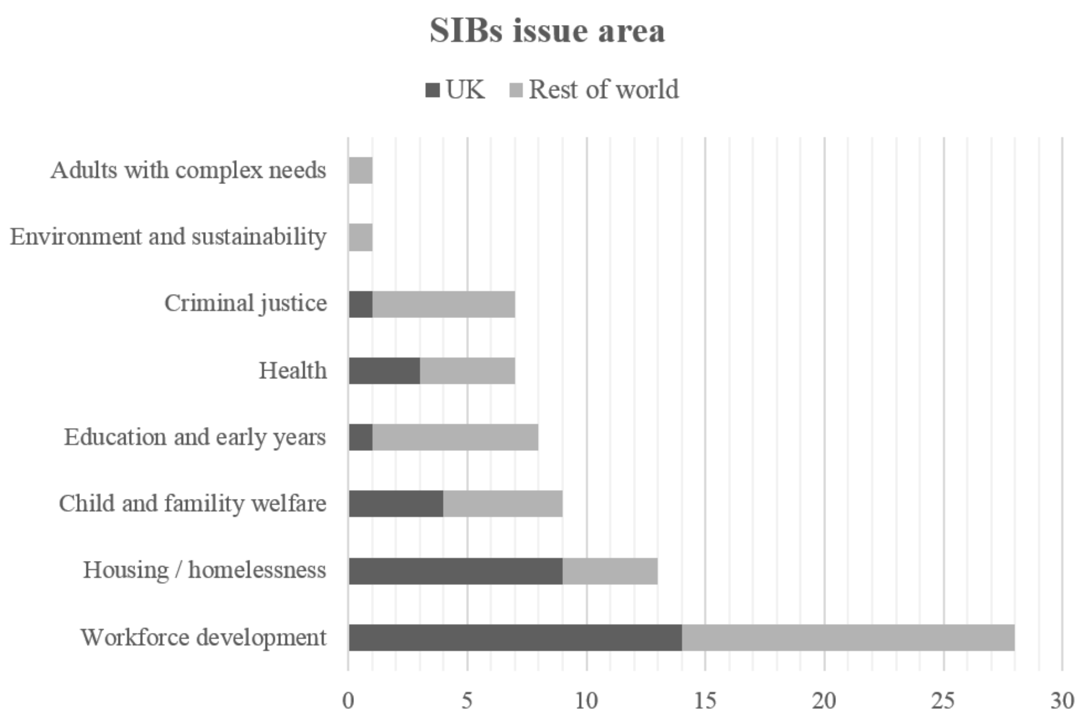


Figure 2. SIBs issue area. Source: Social Finance (2017)

In addition to SIBs in developed countries, the model is being adopted in the developing world as well, and the social policy that the bonds address is expected to expand to include more region-specific issues such as poverty alleviation and health. Indeed, Social Finance, an NGO promoting and supporting the social investment market and SIBs, already announced in 2014 that it was working on developing two projects that it calls Development Impact Bonds (DIBs), one meant to reduce sleeping sickness in Uganda (a disease that threatens nine million people), and one meant to conserve the rhino population across the south of Africa, in order to safeguard biodiversity and contribute to economic development in the region. Similar to SIBs, DIBs only trigger payments if the policy outcomes are achieved, and funding comes from domestic or international donors and the budget of the state(s) in question, or a combination of both. Furthermore, the Inter-American Development Bank has announced the creation of a 'SIB facility' and the provision of $5.3 million in funding for the development of a SIB market that would serve specific regional social policy objectives.

SIBs in the developed world have managed to attract more than $278 million of investment from various actors. The US has seen the largest transactions to date: $13.5 million in the New York State, and $18 million in Massachusetts, with the consequent projects operating in the area of prisoner rehabilitation. Also important to note here is that the US has managed to attract funding from investment banks such as Goldman Sachs and to get Bank of America Merrill Lynch to act as a private placement agent (thus on behalf of private investors), as compared to the UK where initial interest has come mainly from philanthropic organisations (though that coincided with government strategy too). Subsequently, in the UK, investment has come mostly through social investment funds (a private fund with social impact purpose but also seeking return on capital committed). Australia is an interesting case, given that investment has come through private ancillary funds (a form of private charitable trust, that may or may not seek returns on investment, or indeed, may operate only on donations, but that is also fully tax deductible on any income earned), but capital has notably also come from institutional investors for both Australian SIBs, which is a milestone in achieving the proposed rationale for SIBs – attracting a broad range of capital market actors, creating a track-record with large institutional investors, and eventually encouraging the emergence of a secondary market for social investment.

SIBs are thus part of the social impact investment market, and as such they are a recent phenomenon, much more recent that the advent of the social investment market itself. The reason why the focus of this thesis is on SIBs and not the wider market for impact investment is that it is the former that has attempted to provide credibility, legitimacy, and track record to the latter, especially by sanctioning a new value form in the guise of ‘blended value’: a combination of reaping financial rewards while creating social impact (Emerson, 2003). SIBs do constitute a case of financialisation, at least in so far as they themselves represent an innovative financial instrument – a sort of a fixed-term bond with equity-like returns (in other words, predicated on performance). They also entail the advance of financial actors like investment funds, high net worth individuals, profit-oriented charities and philanthropies, venture capitalists, etc. into the social policy field. These actors are already socialised within the spheres of financial markets, and as such they bring financial expertise and access to financial flows and circuits. And while the explicit aim of not only financial actors but also of other proponents of the social investment market like think tanks, governments, charities, etc. is to create secondary markets for SIBs in order to provide investors with exit options and thus increase the appeal of investing in them, it is quite clear that what we are seeing is a case of the making of a new asset class and the financialisation of at least part of the social policy design and delivery field. The aforementioned popularity together with the sustained efforts from the part of governments and non-governmental actors makes for a fertile case study to cast a fresh eye at the process of financialisation and tease out its workings.

3. Research aims

The main aim of this thesis, as mentioned, is to analyse how financial actors and activities penetrate non-financial spaces, particularly, in this case, social policy design and delivery. This thesis has as its basic premise the fact that it is important to look at these aspects in order to overcome a dichotomy circulated by some social activists between finance and welfare: because the welfare state has traditionally been framed as providing an institutional safety net against market vagaries, finance – the purported realm of pure monetary flows – naturally appears as the most 'complete' market of all, thus the antipode of welfare. This dichotomy is being challenged by the rise of SIBs, a phenomenon whose novelty has prevented it, so far, from making its way into the social imaginary. By employing financial innovations such as SIBs, which are the result of this process of financialisation, as tools for administering social groups, these instruments can reveal salient transformations in the practice of government and its relationship with the financial realm.

In order to spell out the consequences of this research programme for political economy more generally, this thesis will not only explain the function and reach of financial instruments like SIBs, but will also look at the mechanics – or conditions of possibility – behind their creation. Given that social policy is usually understood to be the remit of the state, this implies looking at the financial system from the vantage point of state-affiliated entities that are involved in the creation of social policy as well as the means to achieve its objectives. That said, this thesis uses a methodology that seeks to go beyond conventional historiography and discuss the emergence of novel instruments and practices by looking at the process of worth attribution which was foundational for creation of the aforementioned blended value on which the social impact investment market was constructed. The argument is that this results in a more holistic approach that considers meta-aspects as well (calculative technologies, discourses and ideologies, the formations of specific knowledge, cross-societal interaction, governance, etc.).

It is important to mention that this research steers clear of making normative judgements of whether or not the state utilising financial markets in order to achieve its goals is a positive or negative aspect. For instance, it is hard to deny that the expansion of markets for mortgages and the ultimate creation of the mortgage-backed security (MBS) has had beneficial consequences in making housing affordable or even possible for a great deal a people in the US and, to some extent, beyond. At the same time, the ensuing ballooning of markets in MBS and their integration in more arcane financial instruments such as collateralised debt obligations (CDOs), CDO squared, or synthetic CDOs, together with the expanding demand for extending ever more mortgages in order to satisfy the appetite for high-yielding assets, led to the creation of a market in mortgages beyond the limits of sustainability which eventually burst and led to the credit crunch of 2007-8 (A. Milne, 2009; Schwartz, 2009; Tett, 2010). This tension between origin and consequence, as mentioned above, led people like Volcker to claim that the creation of a by-now almost ancient instrument, the ATM, was the peak of financial innovation and was more valuable than any of the aforementioned financial novelties. The issue with that statement is that there was nothing inherently programmed in the creation of the MBS that would have implacably led it to have the effects it had during the crash of 2008, and that in between the two points in time, a cornucopia of both inherent potentialities but, most of all, exogenous factors – actors, institutions, ideas, politics etc. – worked in tandem to produce the sort of consequences we have seen during the financial crisis. These factors cannot be simply ignored or brushed aside – they have to be explained. This research is thus a work of genealogy that attempts to link elements evolving in time with causal explanations for their emergence and development. To the extent that such a project can be devoid of normative judgements, this research will attempt to strictly subscribe to that standard.

In light of the above, the research question can be formulated as follows:

What are the mechanisms of financialisation of social policy design and delivery?

As will be explained below, drawing on various insights from the scholarships on financialisation, social studies of finance, and valuation studies, this study will attempt to answer this question by looking at it through the lens of the process of value creation and worth-attribution in the field of social investment. The assumption here is that, like any other economic activity, social investment and the financial instruments it yields are concerned with the creation of a particular type of value which comes to define the field as such. In this case, it is not only about the quantity of value created, but about the quality, or, in other words, about the kind of value, as an ideal type (Cahnman, 1965), that is involved in this context. Some examples of conventional ideal types of value include artistic value, moral value, religious value, and, of course, financial value. The important thing to note here is that, whilst it may be easy to intuit and identify the kind of value that is present in a specific situation, this does not mean that that value is self-explanatory. Rather, as it will be explained later on, any identifiable presence of value hides an underlying process of value creation: not just in the quantitative sense, but, as argued above, in a qualitative sense. Any value, in other words, is the expression of a process of value construction, and this process involves, as pointed out by the emergent scholarship of valuation studies (Beckert & Aspers, 2010; Helgesson & Muniesa, 2013; Kjellberg & Mallard, 2013; Muniesa, 2011), the mobilisation of a socio-technical infrastructure supporting it. It is this infrastructure that explains the emergence of a new phenomenon like that of social investment. Therefore, this thesis will adopt a valuation framework – on which more below – in tackling the subject at hand.

The choice of words 'socio-technical infrastructure' is not arbitrary: it is meant to emphasise that the valuation processes occurring here are composed, as elsewhere, of an inter-relational dimension, employing a particular set of tools, and unfolding as a process or 'in action'. This pragmatist understanding of the worth attribution (Dewey, 1939) process reveals that it passes through a few stages: more exploratory at first, more systematising mid-process, and potentially political towards the end. These stages could even overlap at the margins, but what is important is that they contribute to rendering a new value form legitimate, public, accessible, and eventually appealing. Applying this to the field of social investment, this thesis thus aims to show that the process of financialisation of social policy occurs via six stages, which can be divided into three parts depending on their nature:

1. *A more exploratory part comprised of negotiation and selection, where the meaning and purpose of a new value form is negotiated, followed by the selection of a slice of social reality where the new value form should be adopted, implemented, or circulated.*

The creation of the value form on which the social impact investment market rests required, at first, significant brainstorming regarding the manner in which it should present itself and the area(s) in which it could be created, applied, or evidenced. These first steps required a great deal of discussion and debate between various stakeholders, and in this respect the field benefitted from emerging changes in the area of public policy. Indeed, the literature on public administration (Hood, 1991; Flynn, 2001; Hughes, 2003; S. Osborne, 2006, 2010) has long pointed that there has been a discontinuity in the practice of administering public policy and that several succeeding frameworks can be identified: around the 1970s, the old hierarchical model was replaced by the new public management model, which has increasingly been destabilised around the beginning of the new millennium, leading to the emergence of what some call the new public governance (NPG) model (S. Osborne, 2010). While the debates surrounding the accuracy of the NPG model continue within the public administration literature, it will be shown that the initiative to create blended value benefitted from the infusion of network-like modes of interaction which ensued NPG reforms. In this, cross-societal platforms managed to negotiate the nature of the new value form and decide upon and select the area and instrument that would serve as a target for its development – the Peterborough Prison SIB.

2. *A more systematising part consisting of ordering and abstraction, where ordering the interaction of actors participating in the creation of the new value form is decided upon, after which the methods for abstracting the value creation are established, in order to provide evidential data.*

The development of SIBs required the creation of a blueprint for actor interaction, and the manner in which this was done was by building on the same patterns set up by the NPG reforms. As such, it will be shown that an SIB programme was deemed to be more inclusive of the majority of the stakeholders, including the target population of the social projects delivered, and at the same time more democratic, in that the ordering of actors did not preclude, but on the contrary encourage the creation of feedback loops and continuous assessment. Furthermore, a fundamental element that was perceived as crucial to the construction of SIBs, not least because financial return was predicated on it, was the creation of means of abstracting data from value creation. Furthermore, this was doubly important, because one of the stated rationales for SIBs is that they make possible preventative programmes, something that is purportedly beyond the abilities of cash-strapped governments to address, and this requires efficient methods for accounting for value creation (Young Foundation, 2011).

3. A public act of standardisation, which could include the creation of classifications, benchmarks, and performance indicators in an accessible, homogeneous, and transparent fashion, followed by an essentially political act of institutionalisation through the adoption of national and international acts or treaties for entrenchment and promotion of the new value form.

Lastly, in order to nurture the appeal of SIBs and the social impact investment market more generally, a public-political act of standardisation and institutionalisation was undertaken. The necessity for these kinds of acts is explained not only by the attraction that accessibility and transparency bring, but also by the capacity they create to easily choose the most appropriate framework for constructing SIB programmes, as well as the ability to commensurate and rank various projects and channel funding in the most high-yielding among them, something that is presumably appealing to social investors. What also helps here is that institutionalisation, in the case of the impact investment sector, was spearheaded and supported by the UK government, who not only entrenched the new value form in a British Public Act, but also fostered its global adoption through international political channels. When it comes to social impact investment, the state – particularly the British state – acts as an active actor, quintessential to the creation of blended value and the birth and growth of the field of impact investment, through the establishment of task-forces and networks of social action filled with actors drawn from across the social sector: government, business, charity, civil society, etc. (Nicholls, Paton, & Emerson, 2015), but also through essentially the hijacking of social investment into a political agenda. As such, the case of social investment acts to complement studies of financialisation which under-emphasise or indeed ignore the role of the state in the active creation, promotion, and spread of financial instruments and markets. This is an important but overlooked pillar of the valuation processes through which financialisation occurs in the field of social investment.

It is, therefore, the aim of this thesis to employ a valuation framework and show how the financialisation of social policy may occur via these avenues. This, it will be argued, can paint a more encompassing picture of financialisation as not simply a process of financial expansion engulfing state sectors, but as a process of co- or multi-production, involving a novel interaction structure, multi-polar input origins, and the creation of new calculative devices which resemble but are not identical to and go beyond traditional financial forms of valuation. This way, it can be shown that valuation processes characterising social value creation, far from resembling mainstream financial valuation, are governed by specific tools and practices that indeed allow ‘the social’ to be integrated into a logic of financial accumulation (thus financialisation), but only whilst creating and integrating non-financialised spaces of valuation.

4. Methodology

This study uses qualitative methods to answer its main question and pursue its stated aims. Whereas quantitative methods seem to be quite self-explanatory in that they entail analysis of numerical data by employing statistical techniques, what exactly passes as qualitative appears to be identifiable only by contrast with the former. The absence of consensus and sufficient guidelines leads Klotz, for instance, to assert that "qualitative methods are somehow linked to *meaning*" (Klotz, 2011, p. 3). But this seems to point to the aim of a specific research rather than implying specific toolkits, as statistical analysis does for quantitative methods. Furthermore, Barkin points out that the term 'qualitative methods' is utilised most in pedagogical context, and there it suffers from many shortcomings, ranging from arbitrary selection and lack of consistency to marginalisation (Barkin, 2011). The divide between quantitative and qualitative not only does not hold (due to methods that are difficult to place, such as narrative game theory, network analysis, etc.), but is also politically charged (discrediting qualitative methods) and counter-productive. Prakash, on the other hand, while acknowledging these shortcomings, argues that we should keep utilising the term 'qualitative methods' as a working category that makes sense of a reality not easily graspable, and open it up to pluralist views and approaches (Prakash, 2011).

With that caveat in mind, this study will use the lens of the valuation framework – as mentioned above and as detailed in a self-standing chapter below – to look at the emergence of state-sponsored financial instruments. The case of social impact bonds constitutes a fertile terrain for exploring this for two main reasons. First, it constitutes a new practice that sits at the border between 'hostile worlds' (Zelizer, 2000), that is, between the two value imperatives of doing good and doing well, which have to be somehow reconciled in order for it to function. Second, and related to the first one, the existing infrastructure for solving the dual value issue – for instance, valuation models and tools at the disposal of finance professionals – was not immediately applicable to the field, which opened up the possibility, or rather necessity, of having to elaborate a new valuation infrastructure specifically designed to be suited for this field. Assuming this valuation framework, the methodological choice made here is to critically analyse and reconstruct the manner in which the socio-technical infrastructure of a new value form was developed in the case of SIBs, through following the aforementioned stages. Together, these would provide a rounded picture of the forces and process behind the emergence of this particular type of state-sponsored financial instruments, as well as the mechanics and conditions of possibility of their operation.

In order to undertake this task, I have collected an assortment of sources, including policy documents, white papers, research evaluations from state-affiliated and external agencies, news pieces, third-sector reports, and secondary literature. The fact that there was an identifiable across the board enthusiasm for the idea of combining financial with social return, as well as significant state involvement in the process, means that the advance of the social investment sector and the launch of the first social impact bond was much mediatised and widely as well as publicly covered, making investigating the subject at hand and reconstructing its development relatively easily accessible. However, given its novelty, not many detailed attempts at putting the story together and tracing the birth of the social investment sector and the intermeshing of finance and social policy delivery it implied were made. This thesis comes to fill this gap.

In order to identify all the potential publically available items documenting the period prior to the release of the first social impact bond and up to present, I have done a ProQuest search for all documents containing ‘social impact bonds’ between the 2000-2017. Employing a rapid review method, I have grouped the resulting documents by their originating source; the resulting sources were the following: governmental agencies (e.g. UK Ministry of Justice, Big Lottery Fund, The US National Advisory Board on Impact Investment), government-affiliated agencies dedicated to social finance (e.g. Social Finance UK/US, Big Society Capital, Council on Social Action, Social Investment Task Force, G8 Social Impact Investment Taskforce), finance companies (e.g. Goldman Sachs, JP Morgan, Triodos Bank), charities, philanthropic organisations, and social enterprises (e.g. The Rand Corporation, The King’s Fund, Bridges Ventures, Social Enterprise UK, The Rockefeller Foundation, New Philanthropy Capital, Roberts Enterprise Development

Fund, The Young Foundation), online resources for impact investing professionals (Impact Reporting and Investment Standards, Global Impact Investing Network, ImpactBase), third sector and NGOs (New Economics Foundation, Third Sector Research Centre), and academia, business schools, and other coverage (journal articles, blogs, news pieces, and research from sector-affiliated business schools, e.g. Harvard Business School Social Enterprise Initiative, Oxford Impact Investing Programme, and Cambridge Institute for Sustainability Leadership).

In accord with the valuation framework, reconstructing the socio-technical infrastructure on which the financialisation of social policy delivery was founded and tracing the valuation process which supported it implied identifying the manner in which value was defined, discussed, and assessed in this setting, by utilising the aforementioned list of documents and sources. But beyond this, several other aspects were added, which rounded up the picture of the emergence of state-sponsored financial instruments and provided some context. Putting together all the information contained in the sources was done according to the abductive method (Timmermans & Tavory, 2012), which is a process typically guiding empirically-based theory construction that rejects the inductive method and relies on the fostering of surprises, puzzles, and anomalies, which are then reflected back onto existing scholarship and systematically-reviewed documentation. These approaches were thus complementary, and they worked to constantly inform each other and build both a diachronic narrative of the field of social impact investment as it is exemplified by SIBs and a synchronic explanation of the conditions of possibility of the financialisation of the field of social policy.

Finally, a few considerations regarding the appropriateness of the chosen research design and methods to the argument made here are in order. The choice of the social impact investing sector in the UK, particularly SIBs, as a case study for investigating the processes behind the advance of financial forms of valuation in non-financial realms has been made on the grounds that it represents an explicit attempt to solve social issues not by appealing to cash-strapped government-funded programmes but by tapping into and catalysing the so-called ‘power of finance’ (Cameron, 2013). The latter is not taken to mean simply the monetary value of capital markets, but it is also supposed to comprise financial methodologies, instruments, expertise, actors, imaginaries, and so on. By employing a combination of these in sectors usually relegated to branches of the state (in this case, social policy design and delivery), social impact investment becomes an avenue for financial forms of valuation to seep into non-financial(ised) realms. And while the practice of being attuned to social implications has indeed been a feature of financial investment under a form or another throughout history, it is only in the UK since the early 2000s that this has become a state-sponsored strategy of *actively* pursuing positive social impact through for-profit investing with an eye for financial instruments such as SIBs to become truly transformative for the quest of pursuing of social policy objectives. These factors render the chosen case study a pertinent one for investigating the mechanisms behind financialisation.

Furthermore, the manner in which this investigation has been undertaken – by utilising the valuation framework – also has a few advantages over other frameworks. As Chapter 1 will discuss, much of the literature on financialisation is loath to explain the mechanisms behind its expansion. This has to do with methodological shortcomings, especially the fact that it construes financialisation as mostly a quantitative rather than a qualitative process – the expansion of financial profits, of financial debt, of share buy-backs, of derivatives, etc. In other words, financialisation, in these accounts, is simply 'more of the same'. The advantage of a valuation framework is that it looks at the underlying infrastructure that makes this possible, and investigates the processes by which things that could not previously be inserted in financial circuits due to their cultural or social significance suddenly become amenable to be sources of capital accumulation or integration in financial dynamics. Moreover, given that it builds on insights coming from Actor Network Theory and Social Studies of Finance, it is particularly attuned to non-human agency and thus takes into account dimensions such as materialities, values, relations, orders, systems, and so on, which it mobilises in order to unpack processes that are sometimes understood too narrowly or mechanistically. This means it can grasp the process of financialisation in a well-rounded and more encompassing manner than other frameworks. These features render the valuation framework a particularly fitting one for applying it to the case of the social investment sector and investigating how new facets of financialisation generate changes around the concept and practice of financial valuation.

5. Outline

This introductory chapter has sought to set the scene for the subsequent investigation by outlining the main argument, providing a market context to the topic at hand, and describing the aims of this research. Finally, the choice of methodology which will be employed in the study was outlined and explained. The first part will look at what is missed in conventional accounts of financialisation and will attempt to provide a blueprint for how some of these shortcomings could be remedied. Hence, the first chapter discusses the issue of financialisation. Since SIBs involve the use of financial instruments to fund social policy programmes and since this has generally been construed as an instance of financialisation, an investigation of the conventional understanding of the drivers of financialisation is warranted. Thus, this chapter will provide a review of how the latter is conceptualised by various strands of scholarship and what kind of perspectives have been developed upon the expansion and increasing presence of the financial sector in more and more aspects of daily life, as well as upon the institutional shift towards finance's expansion.

Financialisation has ramifications upon the social policy field as well, and some scholars have picked up on this aspect as well, particularly by focusing on social impact investment. The latter will be shown to constitute indeed a fertile case study for exploring the timely topic of the nexus between welfare, finance, and the state. That said, social investment is still an under-researched topic, with the few extant studies, as mentioned before, heavily skewed towards construing it indeed as an instance of financialisation, albeit mostly in the sense that financial expansion comes to engulf parts of social policy delivery, resulting in 'more of the same' rather than a singular phenomenon in and of itself. That constitutes a missed opportunity, because social investment is indeed illustrative of the mechanisms through which finance creates new horizons of capital accumulation, which are not self-explanatory and must be unpacked. As will be argued, financialisation advances via a specific socio-technical infrastructure underpinning the creation of a new value form, and nothing guarantees this infrastructure will be identical in all instances in which financialisation is identifiable. This issue of value creation is missed by the literature analysing the financialisation of social policy. Thus, by adopting a valuation perspective, the infrastructure can be deconstructed and a more profound and detailed understanding of the drivers and channels of financialisation can be outlined.

Moving forward, chapter two lays out the theoretical perspective of the thesis. Since many scholars simply assumed that financialisation equals the expansion of financial valuation upon non-financial spaces, an analysis of what this would look like is laid out. Mainstream approaches to financial valuation are thus discussed, as is the historical space which these are supposedly meant to engulf. With regards to the latter, financialisation had to contend with a space designated as ‘the social’, which was ‘discovered’ and integrated into the exercise of governing, but not simply as a naked mould, but as a space with specific qualities and regularities amenable to knowledge. Indeed, around the turn of the 19th century, a combination of grass-roots initiatives and top-down mobilisation gave birth to a form of knowledge that construed ‘the social’ as an entity with particular and immanent dynamics, which can be grasped through statistical knowledge and can be manipulated to suit various policy objectives. Tentative and early policies such as accident and unemployment insurance constitute not only the backbone of the welfare state but also the antecedent of applying quantitative methods and metrics upon the social in order to integrate it into a logic of evidence and change. The advance of finance came to face a dimension of the state that already displayed a significant degree of complexity and a multi-faceted nature characterised by specific regularities, tendencies, and risks. Financial forms of valuation prove to be insufficient a means for capturing the value dynamics involved here.

Since many scholars of financialisation thus ignored the process of value creation that underpins the emergence of social investment and the financialisation of the field of social policy, a framework for investigating this process is developed in this chapter, particularly by formulating the specific steps that are undertaken in the valuation process underpinning the entrenchment of the impact investment. These are teased out, organised, and theorised from the approaches put forth by some authors coming from a background in economic sociology, economic anthropology, and social studies of finance, which emphasise the valuation processes occurring in specific activities or domains as the source for understanding the manner in which particular types of values – be they aesthetic, moral, financial, etc. – are being constructed. Therefore, looking at the financialisation of social policy through this lens is the main conceptual choice of this thesis, and is outlined in this chapter.

The second part constitutes the main result of the application of the theoretical framework upon the subject at hand. Three chapters are dedicated to deconstructing the valuation processes that made the financialisation of social policy possible, divided as per the outline mentioned in the research aims section: the exploratory stages: negotiation and selection; the systematising stages: ordering and abstraction; and the public-political stages: standardisation and institutionalisation. Taken together, these chapters provide an account of the financialisation of the social policy field that is inclusive of the worth attribution process and does not treat value in the field of social investment as simply given and measurable using the tools of mainstream financial valuation.

Hence, chapter three looks at the first steps made by finance's advance in the field of social policy design and delivery. Before everything else, the nature of the new value form that would constitute a new source of capital accumulation needed to be established. What was of particular importance here was the gradual but ostensibly inexorable opening up of public policy to new forms of interaction displaying network-like features, which in turn led to the creation of new valuation processes predicated not on centralised administration or competition, as was characteristic of Classical Public Administration and of New Public Management respectively, but on negotiation and selection, features which were stemming from New Public Governance reforms. Coupled with the introduction of inputs originating from cross-societal sectors, this led to the bestowal of power to new actors to have a say in matters of social value construction.

In consequence, at the initiative of the UK New Labour Governments of 2000-2010, two government-sponsored task forces, The Social Investment Task Force (SITF) and The Council on Social Action (CoSA), were set up to lay the groundwork for the creation of a new market in social impact investment. Their particular remits, though, were different:

SITF was charged with nurturing trans-societal collaboration as a basis for the social investment field, while CoSA was tasked with catalysing social action throughout society. Despite that, they engaged with the issue of conceiving a dedicated value form for the market in a similar manner: by embarking on a dual process of negotiation and selection. SITF was more hesitant than CoSA, and while at first the tide was turning into the direction of considering social value creation to be best serviced by local community development, the resolution of the negotiation process pointed to co-production with the help of government agencies and global investors as better suited. CoSA, on the other hand, negotiated the meaning and scope of social action and concluded that the 'one-to-one' formula maximises social action creation, but only when coupled with an innovative funding arrangement – the SIB. The two task forces then joined forces and embarked on a selection process, which was meant to designate a social area that would best be fitted for applying the new initiative and exemplifying the new anatomy and dynamics of the new value form. The selected target was thus agreed: youth reoffending. In 2010, together with the institutions and organisation that hailed from these task forces, HM Treasury and The Ministry of Justice launched the world's first SIB at Peterborough Prison. The processes of negotiation and selection, therefore, were the preliminary steps in a valuation process that set the stage for the financialisation of social policy design and delivery in the UK.

Chapter four looks at the systematising stages of the valuation process that led to the creation of blended value: ordering and abstraction. While at the time of the Pilot SIB's launch there already were quite a few scattered social investment projects, these were very local and rather subdued, thus not transformative enough to shake up social policy as such. This is where the idea of SIBs came in, which were anointed with governmental support and were supposed to represent the state of the art in terms of social investment. So, in order for SIBs to become an entrenched practice, a blueprint for their operation was conceived. This involved outlining the steps for the ordering of the particular actors involved in a SIB arrangement and the manner in which they were supposed to interact, as well as devising methods for abstracting the quality of impact created, in order to link it to financial return and thus achieve blended value creation.

Mirroring New Public Governance reforms, the blueprints for SIBs are shown to display an array of trans-societal actors, ordered in a network-like fashion. Among the most important interaction patterns, horizontality, collaboration, and continuous feedback loops are perhaps the most important ones. These patterns are a *sine qua non* of the creation of blended value, which presumes an ideal of equal partnership between cross-societal actors ahead of the social policy act and a democratic ethos of equal worth of all the inputs coming from stakeholders. That said, this chapter will also attempt to tease out how this ideal belied some hidden limitations and potential power imbalances. But despite that, SIBs still represented a novel arrangement which rests on multipolar inputs and networked feedback mechanisms.

Given the complexity of the ordering of SIBs and of the flow of inputs that go into social value creation, a need for accountability surfaced. This translated into the adoption of a mechanism for abstraction, which involved a conceptual delineation of the field of impact investment from that of the sister field of socially responsible investment (SRI) and a conceptual clarification of the notion of 'impact' together with the elaboration of methods for its quantification. The distinction between the two fields will be shown to turn on the approach to social value creation: whereas SRI negatively screens pernicious investments and creates value indirectly through positive externalities, impact investment actively engages with social value generation. Connected with this is the fact that while both are mission-driven, it is only the second that possesses a real metrological universe to measure impact and create transparency and accountability. Furthermore, it is only the second that is truly institutionally innovative, in that it is accompanied by the creation of novel organisations, instruments, and markets like social enterprises, SIBs, and social stock exchanges. Conceptual delineation was therefore foundational to the market itself, but so was conceptual clarification. That said, at first the latter did not result in an unambiguous description of the notion of 'impact', but rather in a working definition that nonetheless allowed for sufficient flexibility to make social investment programmes operational. It was only in 2012-2013, as this chapter will show, that a more rigorous and quasi-binding definition was provided.

Last but not least, this abstraction processes resulted in the creation of a host of metrics and frameworks for calculating social value creation, though at this stage they were rather fraught with a specific degree of uncertainty and contingency, not least due to their sheer number, their selection process, and their continuous and opaque mushrooming. Despite that, they were crucial for tying financial returns to social impact and thus attracting investors to fund and leverage social programmes. Furthermore, they are essential for understanding the process of the financialisation of the social policy field, as metrics are not simply picked from a financial repertoire or replicated identically; rather, they are created endogenously and they encapsulate social value creation, not financial. In other words, they are indeed created as finance advances in the field of social policy, but they are not the same so the tools of mainstream financial valuation. They are, on the contrary, hybrid spaces of abstraction, which represent, crystallise, and preserve social value. In order to illustrate this, this chapter also takes a look at Social Return on Investment (SROI), perhaps the most popular and encompassing calculative framework.

Chapter five tackles the last two stages in the valuation process that led to the creation of blended value as the foundation of the social investment market and thus of the financialisation of the field of social policy: standardisation and institutionalisation. These two were the last two steps that were separating impact investment from becoming a truly transformative public policy practice as well as a legitimate market in itself. The first had to do with the standardisation of metrics, the latter with the institutionalisation of impact investment through law and through international bodies.

As discussed in the previous chapter, the rather haphazard mushrooming of metric frameworks hindered rather than aided the market in its expansion, which was indeed growing, but at a decreasing rate. One of the reasons for this was the fact that it did so without a sufficient degree of transparency, accountability, and commensurability. In order to surpass these limitations, investors pleaded for the standardisation of the collection of social value evidence and of the performance of social enterprises in their endeavours. This chapter will show that as a result, two such vehicles were created: a reporting standard (IRIS) and a ranking system (GIIRS). The first was meant to solve the problem of commensurability of social programmes, the second of rating of social enterprises. Together, IRIS and GIIRS contributed in dispelling the heterogeneity of metrics and increasing their transparency and accessibility via online depositors and organisations tasked with making them available.

Once standardisation was completed, the scene was set for the institutionalisation of the social investment market and its foundational blended value form, which occurred through the launch of the Peterborough Prison SIB. This was perceived as necessary for creating credibility and track record, and anointing the social investment market as a viable and appealing strategy for capital accumulation. But instead of consisting in a simple market launch, this chapter will show that the SIB project got essentially hijacked and embedded into a political programme – The Big Society Agenda. The latter was part of the Conservative – Lib Dem Coalition that came to power as a result of the 2010 election in the UK. Though benefitting from a decade of NPG reforms put into place by the outgoing New Labour Government, this agenda was meant to be in direct contradistinction with the latter and rested on a revamped understanding of the role of the state in society. The ethos of social investment displayed many similarities and it was especially fitting with the desire of the Coalition to usher in an 'age of austerity', and was therefore made part and parcel of The Big Society Agenda. Thus the institutionalisation of social investment received an ideological push, and it resulted not only in the much mediatised launch of the Pilot SIB, but also in the signing into law of the Public Services (Social Value) Act of March 2012, which required anyone commissioning public services to conform to the principles and thrust of the blended value proposition.

This chapter will also show how institutionalisation did not stop in the British arena, but also took a global turn, when, at the G8 summit in 2013, the UK Prime Minister announced three more developments: a tax break for social investments, a Social Stock Exchange, and local community funding. At the same time, another platform was announced, The Social Impact Investment Task Force (SIITF), whose remit was to extend the global scope and depth of the social investment market. This was succeeded, in August 2015, by The Global Social Impact Investment Steering Group (GSIISG), which opened to countries beyond the G8. Consequently, social investment gradually made its way on the global political-economic agenda and was institutionalised as a legitimate practice of capital accumulation through social value creation. Last but not least, this chapter also provides a more detailed analysis of the Pilot SIB, as this was indeed one of the turning points in the valuation work undertaken over a period of around a decade.

The last chapter is the conclusion, which reflects upon the findings and examines to what extent they have answered the research question and have satisfied the aims of the study. Secondly, it discusses how the research has contributed to wider debates about states and markets, finance and welfare, financial innovation, and others. The issue of financialisation occurring via the creation and proliferation of hybrid spaces of valuation is singled out as one of the most important findings that goes against the conventional financialisation narrative. That said, some other insights are also teased out. Finally, the study draws to a close by attempting to provide some suggestions for how to take this research further.

Part I

1. Introduction

As this thesis comes to light, the shadow of the greatest financial crisis modern capitalism has experienced since the 1930s still looms in the background. A decade has passed since the money market credit crunch of August 2007 and the full-blown meltdown of the following year, and studies analysing the origins and the consequences of the crisis have not stopped pouring in. The economic meltdown itself constituted also a crisis at an epistemological level, best epitomised by the answer received by HM The Queen of England asking at a visit to the London School of Economics in November 2008 how come no economist saw the credit crunch coming: it "was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole" (in Harvey, 2011, p. 235).

The widespread narrative of complexity in the finance industry nonetheless provided a strong theoretical challenge to the neoclassical understanding of crises as exogenous shocks to an otherwise equilibrium-based and self-correcting system (Datz, 2013), and helped bring into the limelight various heterodox perspectives on the workings of the financial system and its institutional structure. Above all, it surfaced that by the time the real estate bubble reached its apex in 2006, there had been profound changes in the economic conduct of non-financial enterprises, banks and households. The manner in which these entities had become entangled in the financial sector, together with the predominance and increasing weight of the financial services in economic activities overall, were unprecedented.

These changes, most evident in US society but transcending borders, have been put together under the umbrella term *financialisation*. Even though it is a contested concept, the debates regarding financialisation are telling of the increasing importance finance plays across the board, and thus a discussion of the ways it has been employed in the relevant literature is conducive to a better understanding of not only of the sort of analysis it fostered, but also of the aspects various approaches have been able to grasp and emphasise as well as of the gaps that are still to be filled. This section thus first takes a brief look at the institutional and historical structure that constituted the backbone upon which financialisation came to develop, moving afterwards to the theoretical perspectives that this phenomenon stirred. Finally, welfare and social policy are brought back on the agenda, noting on the one hand the increasing interest in the link between the two, but also, on the other hand, the lack of sufficient literature and deep engagement with it and especially with the related phenomenon of social impact investment.

In order to assess what the case of social impact investment reveals about the mechanisms of the expansion of finance into non-financial spaces, an approach to financialisation is required. Increasingly, financialisation has come to the fore as one of the most important political-economic developments of the past half a century. Depending on the interpretation, the expansion of finance is seen to have produced wide-ranging consequences, whether beneficial or detrimental, from the economic sector itself to the daily psychic life of people. Unsurprisingly, scholarship on the phenomenon has been gathering pace, though the process of keeping up with the developments is easier said than done. The field of social policy or welfare more generally is a case in point: there are not too many studies dedicated to untangling the mechanisms and dynamics through which finance expands in this area, though a few can be identified and will be discussed below. More often than not, the connection is made indirectly, through the channel of neoliberalism or neoliberalisation, and it ends up consolidating a seeming dichotomy between finance and welfare: neoliberalism, with its moral adherence to the principles of individual and market responsibility, has an inherent aversion to any form of state-centred direction or action; social policy is an example of the latter, therefore it should be abolished through privatisation; privatisation, and the subsequent integration into market dynamics, creates money flows, which can then be integrated in financial circuits, creating thus avenues for financial accumulation (Fine, 2012). Finance, therefore, comes in to take the place which was traditionally the remit of state-funded programmes, but it does so with a vengeance, given that the potential consequences of neoliberalisation (unemployment, increasing unaffordability of education, the loss of healthcare insurance, etc.) put another strain on what traditionally was social policy. But regardless of the verdict, this way of reasoning obscures the direct mechanisms through which finance seeps into and engulfs non-financial spaces like the social policy field. The ways in which social impact investment is construed in the literature, as will be detailed below, exemplifies this.

Part of the problem is the idea of 'financialisation' itself. By and large, there is no agreement regarding what the term actually signifies, other than the self-evident fact that it is a process that has finance as its main actor and/or engine and that it applies to dimensions that are not inherent to what is traditionally understood as finance. The intermeshing between finance and social policy, and the emergence of social impact bonds, for example, could thus qualify as an instance of the financialisation of social policy. But to construe a relationship between finance and non-financial elements has not always been such an easy, or indeed easily conceivable, task. Therefore, this section will review the literature on financialisation and place the scope of this research within that body of literature, while at the same time providing a historiographical snapshot of this rise to prominence of finance and the conventional understanding of what foundations made financialisation possible, before finally turning to the manner in which the increasing intertwining of finance and the pursuit of social policy design and delivery is generally construed by the scholarship. This chapter finds that even though the literature on financialisation more generally is multifarious and divided, the (admittedly scarce) studies that look at social impact investing as a form of the financialisation of social policy design and delivery inevitably understand it as a form of creating new fronts for capital accumulation, but in doing so they disregard the mechanics behind this process and so dismiss the ramifications of this form of financialisation, assuming it is simply another instance of the advance of financial forms of valuation in non-financial realms. In other words, they assume away endogenous developments that complicate the story of the advent of social impact investment.

2. Financialisation. Precursors and debates

1. Financialisation. Institutional and historical precursors

The historical accounts of the transformation that the global economy suffered in the wake of the rise of finance are diverse, but most studies place the outset of financialisation in the US of the 1970s, amidst a context of perceived decline in American economic prowess[2]. Thus, the first OPEC embargo in 1973 that triggered price hikes in oil resulted in ballooning the costs for manufacturing and industrial production at the same time as channelling profits to oil firms and oil exporting countries. Aggressive competition from the newly rising powerhouses of commodity production, Germany and Japan, together with the post-World War II strengthening of labour power, which limited the capacity of firms to reduce wages, spelled the end to US industrial leadership. The aftermath of this situation – stagflation, that is, an environment of low growth and increased inflation – led to firm mobilisation for improving economic conditions through deregulation, tax reform, minimal state regulation, etc. The policies adopted have been subsumed under the aforementioned ideology of neoliberalism, though the coherence of a conscious ideological thrust on the part of US policy makers is contested (Peck, 2010; Tomaskovic-Devey & Lin, 2011). Plausibly, though, heterogeneous actors ranging from academics and business lobbies to think tanks and politicians created a set of practices that were retrospectively noticeably pro-market (supporting the ability of firms to self-regulate in an environment devoid of or minimal in government oversight) and anti-state (Ban, 2016).

[2] Most, if not all, historiographical studies identify the US as the birthplace of financialisation, and subsume the UK case under the homogenised umbrella experience of Anglo-Saxon capitalism, assuming the British course is for all intents and purposes similar, if not identical. That said, there are a few studies that emphasise distinctiveness, at least in so far as they underline the role of the City of London in this process (see, e.g., Burn, 2006; Lysandrou, Nesvetailova, & Palan, 2017; Mollan & Michie, 2012; Palan, 2015). This section will only review the first type of studies, as these are the ones that are most concerned with the drivers and sources of financialisation writ large.

Stagflation created difficulties in the US economy that were addressed by political authorities in two prevailing ways: deregulating domestic financial markets and reaching out to global capital markets for the funding of the fiscal crisis of the early 1980s (Krippner, 2012). What led to the adoption of the 1980 Depository Institutions Deregulation and Monetary Control Act, generally considered one of the "most profound deregulatory actions" (Tomaskovic-Devey & Lin, 2011, p. 544) of the US Congress, is interpreted in two different fashions: one that has to do with immediate, pressing issues that the US government was facing and had to resolve – inflation – and another one that has to do with long term developments in the structure of US banking and finance sectors.

With regards to the former perspective, the inflation-ridden environment of the 1960s and 1970s was characterised by a generalised belief that market actors normally live in a credit-scarce economy, and that the role of policy makers is to redistribute capital to adequate sectors (Krippner, 2012). The problem with inflation was that it was diminishing the purchasing power and savings of households, which increasingly joined forces to, ironically, demand deregulation on interest rate ceilings and specifically the abolition of Regulation Q. Regulation Q was a legacy of the New Deal banking reforms, and it imposed maximum rates of interest on different types of time and savings deposits, mainly as a response to the perceived reckless lending practices leading up to the 1929 crisis and the belief that this had happened because of excessive bank competition for deposits (Galbraith, 2009). Given that the fair distribution of capital funds to competing social classes was coming under increasing pressure from households, small businesses, and agriculture, policymakers decided to abolish interest rate ceilings, in an attempt not to resolve the difficulties through control and planning, but to divert decision-making to an allegedly more effective process, that of the price mechanism (Krippner, 2012). This seemingly obscure development led to a domino effect ballooning of the financial sector and of credit flows within the economy, leading to a situation in which finance became more profitable than commodity production.

With regards to the second perspective, the institutional developments that led up to the expansion of the financial sector are believed to stem, again ironically, from the contradictions that were embodied in the Glass-Steagall Act of 1933, which was meant to put an end to speculative activities in the banking sector. The devastating consequences that bank clients suffered as a result of the profound involvement of banks in the securities markets in the lead-up to the Great Crash of 1929 led to the prohibition of deposit-taking banks from proprietary trading in the financial sector and to the separation between banking and finance. Banks were supposed to engage solely in deposit taking from the public and short-term lending to industrial and commercial firms through new entries in the account books (Minsky, 2008). Financial institutions were supposed to deal with funding long-term capital investment through first underwriting, then trading of bonds and stocks.

This separation, though, rested on a misinterpretation of the central function of commercial banks, which was not, as it was implied in the Glass-Steagall Act, that of receiving household savings, but that of creating liquidity through the acceptance function, that is, creating liquidity for borrowers: "the fundamental banking activity is accepting, that is, guaranteeing that some party is creditworthy" (Minsky, 2008, p. 256). Extending a loan is structurally equivalent to buying a bond that the bank has accepted. Tensions appear, though, because commercial banks are not the only institutions that create liquidity; investment banks, similarly, create liquidity by underwriting obligations and distributing them in secondary markets that they sustain through their function as market makers (Mehrling, 2010). Therefore, Glass-Steagall provided the banks with a monopoly on the deposit taking, but not on liquidity creation, which was the central business of banking to boot, while it created for investment banks a monopoly in security dealing, which, through financial innovation, would gradually result in the functional equivalents of deposit taking and liquidity creation that were the abode of banking activities (Kregel, 2010). Thus, for instance, the emergence of corporate commercial paper as a cheap substitute for commercial loans, together with the rise of money market mutual funds as a substitute for retail deposits, constituted solid competitive disadvantages for commercial banks that, if they were not addressed, could have led to the collapse of the industry, as it had happened previously with the saving and loan industry crisis. Gradual deregulation, in this account, is a story of regulatory shortcomings, institutional innovation, and competitive disadvantages that were remedied by deregulation, which eventually resulted in bloated financial markets.

As the US war efforts were already drying up the exchequer's funds, Reagan's move towards a policy of trickle-down economics by decreasing taxes for the upper income layers had the effect of further deteriorating the fiscal position of the US and led to the looming perspective of a full-blown fiscal crisis (Canterbery, 2000). Because this increased inflationary pressures, Federal Reserve chairman Paul Volcker raised interest rates to a peak of 20% in 1981, leading to the so-called Volcker shock that depressed industrial activities irrevocably and channelled profit making activities increasingly towards finance (Krippner, 2012). Tight monetary policy tamed inflation, while high interest rates attracted a surprising amount of foreign capital into US financial markets that replenished the fiscal gap, swelled credit in the economy, fuelled a new debt-led consumption pattern, and beefed up profits for any entity involved in extending or intermediating capital (Epstein & Jayadev, 2005; Tomaskovic-Devey & Lin, 2011). These are then the institutional and historical parameters that set the scene for the advent of financialisation. A state of affairs characterised by pro-market policies coupled with an increased demand for deregulation created an environment, in the US of the 1970s-1980s, ripe for new opportunities for capital accumulation. But this does not explain why it was financialisation that was the outcome of this situation and not something different. The origin, drivers, and mechanisms behind this are still a matter of contention, as described next.

2. Financialisation. Debate

There are various ways in which financialisation has been discussed, but perhaps the most effective way of approaching the issue is to divide the different perspectives into two broad frameworks, depending on what scholars of financialisation see as the drivers and origin of financialisation: economic and non-economic perspectives. Economic lenses are generally more homogenous in emphasising financialisation as an inherent and epochal change in the history of capitalism, although some gradualist views can be identified here as well. An epochal change is generally perceived to be one in which small or big changes in material conditions lead to major changes in institutional structures as well. For instance, the development of the monopolistic, joint stock enterprises on the backdrop of industrialisation, free trade, and the ensuing profitability crisis of 1890s (Duménil & Lévy, 2011) can be contrasted with the expansion of transnational enterprises on the backdrop of the mass consumption and mass production industry, domestic, and international controls on finance and the long boom lasting until 1973-74 (Lapavitsas, 2013). The epochal view of financialisation is less a characteristic of heterodox perspectives, being more utilised in Marxist analyses. Non-economic perspectives, on the other hand, are much more eclectic and focused on the various, unexpected angles from which to conceptualise financialisation.

Economic perspectives

Among economic perspectives, the most extensive case for understanding financialisation as a new phase in capitalist development is put forth by scholars coming from a Marxist background. One of the first intimations of financialisation as an epochal change in the history of capitalism was presented by Baran and Sweezy in the *Monthly Review* magazine. Their conception was based on the premise that as capitalism evolves, monopolistic enterprises become prevalent, a phenomenon which increases working class exploitation and the accretion of surplus value, which further leads to a problematic situation in which the surplus thus created finds no outlet due to the scarcity of opportunities for profitable investment and the lack of demand from impoverished consumers (Baran & Sweezy, 1966). The rise of or turn to finance is explained, therefore, by the looming of the 'surplus absorption' issue that seeks a release that cannot be found in the sphere of production or of consumption. The stagnation beginning in the late 1960s and early 1970s provides the representative case for this theory: the emergence of large, monopolistic companies sitting on massive monetary reserves and with large productive capacities but virtually no demand could not find a solution to this predicament and thus they turned to the financial sector to absorb the surpluses, leading to an epochal change in the history of capitalism from production to speculative circulation.

The domain of speculative circulation is less specified, other than assuming that an inflow of capital creates conditions of asset price inflation and speculative psychology (Magdoff & Sweezy, 1987), which constitute the source of profits in the financial sector on the background of stagnation in the ‘real’ economy. The argument for financialisation brought forth by the authors of *Monthly Review* is thus rather laconic and abstract, aggregating in quite an indiscriminate way various actors involved in the process of financialisation (state, non-financial companies, financial organisations, consumers, foreign capital, etc.). That said, their focus on the relative rise of profits in the financial sphere as opposed to the ‘productive’ sphere as an expression of financialisation was prescient.

A similar contribution coming from the Marxist scholarship that stresses the epochal nature of financialisation is Giovanni Arrighi’s work (2009, 2010). In line with the *Monthly Review* authors, he conceives of the rise of finance as a response of enterprises and governments to the stagnation crisis of the 1970s. In contrast to them, though, he builds his theory on the backbone of Braudel’s magisterial work on the history of capitalism (Braudel, 1992b, 1992c, 1992a), and sees financialisation not as a unique characteristic of contemporary capitalism, but as a periodic feature occurring since the outset of capitalism at the end of the Medieval Age and the consolidation of Italian city-states. He opposes thus the progressive, linear understanding of the development of capitalism of the *Monthly Review* authors with a perspective that emphasises successive ‘cycles of accumulation’ occurring in different geographical places and coinciding with the ebbing and flowing of the hegemonic power of the states involved in financialisation.

The main dynamic that drives financialisation is a move away from the material expansion that undergirds hegemony – through long distance trade, commerce or commodity production – to a stage of financial expansion, in which profits accrue mainly through financial means or ‘speculative circulation’. The first stage of material expansion is generally supported by the breakthrough of an organisational innovation akin to the process described by Schumpeter (1942), but the ensuing crisis is not explained by the issue of 'surplus absorption' as per the *Monthly Review* authors; on the contrary, it is increasing competition coming from a different pretender to the status of hegemonic power that causes stagnation and a move to finance. Financialisation is thus a symptom of a country's decline and another country's ascent. Genoa, the Netherlands, Britain, and the US are the representative cases that Arrighi talks about in testing his argument empirically. *The Long Twentieth Century* (Arrighi, 2010) ends with a discussion of the then contemporary cycle of accumulation, the seeming decline of the productive prowess of the US in the 1960s and 1970s and the subsequent turn to finance as a symptom of the waning of US hegemony. In the epilogue, Arrighi hints that Japan might come to replace the US, a thesis that he ultimately retracted with the publication of *Adam Smith in Beijing* (2009), which he dedicated to the rise of China.

While Arrighi was mainly concerned with elaborating macro-historical arguments about financialisation and hegemony, Harvey (2005), Panitch and Gindin (2013), and Krippner (2012) took to the challenge of focusing on the contemporary US, following the theoretical model built by Arrighi. Thus, Harvey argued that the exhaustion of the productive capacities of the US led companies to turn to finance in search for profits, which ultimately undermined the hegemonic prowess of the American state due to massive global holdings of US debt, the military overhang, and economic stagnation (2005). On the contrary, Panitch and Gindin claim that globalisation and financial integration on an international level resulted in the reconsolidation of US hegemony due to, among others, the Americanisation of finance and the international crucial role of the dollar as a reserve currency (2013). None of the authors mentioned above, except perhaps for Krippner, analyse how it is that the financial sector is able to deliver profits in a context of overall stagnation. Krippner is sceptical regarding the long-term validity of the argument about the epochal change that financialisation represents in the development of capitalism, and focuses instead on the rise of finance in the US, which she links to the response of the state to the inauspicious conditions of the 1970s (2012). She consciously adopts Arrighi's understanding of financialisation as the expansion of profit accrual through financial channels and is the first to engage in an empirical analysis of the tradition started by the *Monthly Review* by proving the growing weight of financial profit of all financial together with non-financial enterprises.

Another author whose recently published work attempted at specifically constructing a Marxist framework for understanding financialisation is Costas Lapavitsas (2013). He draws on Japanese Uno Marxist tradition as well as on the work of Hilferding, or rather, on an error that Lapavitsas identifies in his work. Hilferding claimed that as capitalism develops and companies expand, they tend to rely on more sophisticated and expensive capital investment. As they cannot fund these investments through their own capital, they turn to banks, which grow larger and wield more and more power over them. In fact, Lapavitsas claims, “since the end of the Second World War the requirements of investment in developed countries have been met increasingly through retained profits. This trend underpins financialisation” (Lapavitsas, 2013, p. 56). This observation leads Lapavitsas to focus his analysis not on the growing importance of the financial sector as such, but at the structural transformations in the conduct of banks, non-financial corporations, and households, which become ever more entangled in financial profits as sources for new forms of profit. That said, while the argument about structural transformations is salient, it is rather counter-intuitive to claim that financialisation has occurred through more capital investment and retained profits, and not through increased debt.

These are just a few authors employing a Marxist lens in unpacking financialisation, but they are representative of the Marxist approach as a whole emphasising a relative decline in productive capacities, a relative increase in financial profit, the increasing accumulation of profits through financial channels, as well as a structural transformation in the behaviour of various social actors. While at first the main concern of Marxist discussions of financialisation were macro-historical arguments regarding the development of capitalism, recently their focus has shifted on more specified features of financialisation, while at the same time expanding in scope to include other actors besides corporations and the state such as households, banks, foreign actors etc. Some examples include: food politics (Clapp, 2014), land (Kaika & Ruggiero, 2016), the workplace (Thompson, 2013), or even the university (Engelen, Fernandez, & Hendrikse, 2014).

The non-Marxist economic literature on financialisation is quite eclectic and much more difficult to sum up under a few guiding lines. Perhaps one of the observable recurring features is the relative lack of structuralist arguments about the development of capitalism, though in some instances epochal arguments are implied. Generally, this literature is concerned with macro-questions and comes mainly from the Post-Keynesian camp. As such it draws its resources from Keynes's analyses of the rentier as an ubiquitous entity in financialised capitalism. For Keynes, the rentier is a parasitical entity that merely extracts profit from the circulation of capital due to its scarcity (1973). The figure of the moneylender is then picked up by various other Post-Keynesian economists and discussed in diverse manners.

For instance, Minsky, in his later work, became increasingly interested in what he called 'money manager capitalism' (1996), a topic that has been tentatively elaborated by Wray (2009), but with no wide-ranging implications. On the other hand, Hager (2014) shows that public debt actually redistributes income from taxpayers to public creditors in such a manner that a clear-cut pattern of ownership emerges in the hands of the top one percent of US households, which revives the argument about the existence of a 'bondholding class'. Toporowski built his asset price inflation theory on the idea that rentiers channelled their savings to the stock markets giving rise to institutional investors and asset bubbles (2002), which, in more abstract terms, consolidated "humanity as an appendage of asset markets" (2010, p. 91). The causation, therefore, does not run from stagnation in the productive economy to turn to finance; on the contrary, it is the expansion of financial markets that explains sluggish performance in the 'real' economy – a perspective that runs through many Post-Keynesian analyses of financialisation. Diminished investment leads also to stagnating or falling wages, which some Post-Keynesian authors claimed has fuelled a debt-led economic developmental model. Stockhammer (2009), for instance, argues that there has been a self-sustaining global division between a debt-led group of countries financing consumption by way of a real estate bubble (US, UK) and an export-led group of countries based on competitive advantages due to domestic wage repression (Germany, China), an argument reminiscent of the varieties of capitalism literature (Hall & Soskice, 2001; but see also Schwartz, 2009).

Lastly, another argument – this time coming from a behavioural-economic perspective – has been particularly popular in the understanding of the bubble that was inflating in the US real estate markets and was underpinning the financialisation process. This perspective emphasised the seemingly irrational behaviour of the actors involved in those market activities. It has thus been argued that the financial crisis itself is a cause of the 'irrational exuberance' of financial actors (Schiller, 2008) or of the 'speculative mania' that has been developing in the markets involved (Kindleberger, 2011).

According to these theories, there are some more or less clearly identifiable behavioural stages in the escalation towards a bubble and subsequent economic collapse: optimistic prospects such as the state of the economy create an environment of euphoria, the euphoria drives up prices in, for instance, stocks or real estate; this creates the impression that they will continue to rise; as everyone is bidding up the prices, credit standards decline, which ultimately increase the fragility of the economy; with time, the basis of the economy degenerates and becomes more exposed to shocks; when an exogenous shock, such as pessimistic news about the state of the economy, eventually occurs, panic sets in and creates another self-fulfilling prophecy as everyone scrambles to dump assets considered toxic at increasingly fire-sale prices.

This recurring mechanism is explicitly based on Minsky's *Financial Instability Hypothesis* (1992) which states that protracted periods of economic stability diminish the perception of risk and lead to a growth in lax lending practices, which increases instability and finally reveals the risk that has been accumulating in the economy, resulting in a period of debt deflation. It must be noted that even though this theory is rooted in behavioural studies, there is thus a tension between the psychological-individual and the economic-institutional dimensions of speculative manias. With regards to the matter at hand, it is worth mentioning that the historical reading of bubbles identified by Kindleberger becomes concentrated from the 1980s onwards – bubbles in real estate and stocks in Japan in 1985-89 and in several ASEAN countries in 1992-97, in foreign investment in 1990-99 in Mexico, in the dotcom sector in the US 1995-2000, in real estate in the US, Britain, Spain, Ireland, and Iceland in 2002-2007 – and suggests that there has been a potential expansion in speculative behaviour concurring thus with other analyses which point to the rise of finance since the 1970s as a new stage in the historical and structural development of capitalism. That said, the growth in asset bubbles cannot solely be explained through an increase in speculative manias, because the latter must be explained as well.

To sum up, the most extensive cases for understanding financialisation are usually put forth by scholars coming from Marxist backgrounds, and generally identify financialisation as a stage in the development of capitalism, arising either because of the falling rate of profits in the real economy or the need for surplus absorption, though there is also the Marxist perspective that financialisation is a cyclical capitalist event. The non-Marxist literature is more diverse and generally less concerned with epochal arguments. It usually comes from a Post-Keynesian camp and it draws its inspiration, among others, from Keynes's figure of the 'rentier', touching thus on topics such as institutional investing, asset price inflation, debt-led development models, speculative manias, and the financial instability hypothesis. The thread tying all these analyses is that there are important economic drivers that explain the shift in the economy from an industrial-based or industrial-led economy to one in which finance takes a leading role and stops fulfilling the role of serving the former as its main *raison d'être*.

Non-economic perspectives

The non-economic literature on financialisation comes from disciplines as diverse psychology, geography, cultural studies, or sociology. Some of these studies are concerned with how financial expansion profoundly transforms intimate experiences hitherto sheltered from pecuniary matters, while other studies focus, on the contrary, on how finance is deeply rooted in quasi-universal features of human nature and how financialisation has drawn its resources from those pools.

One such perspective on financialisation that has been particularly popular comes from the discipline of sociology, in particular, from organisation studies. The main concern of this literature is not to explain the dynamics of speculative bubbles or the expansion of finance per se, but to look at the changing behaviour of non-financial companies and their increasingly more complex involvement in the financial sector. One of the most resounding findings of this perspective is the issue of 'maximising shareholder value'. This states that the only aim of a firm is or should be to increase the stock value of the owners of the firm (Lazonick & O'Sullivan, 2000). While the concept of the separation between ownership and management can be traced back to at least the East India Company in the 17^{th} century (Lipton, 2009), the issue of measuring the success of a firm through the return on shareholder value is a recent phenomenon, fuelled by two interrelated developments.

The first development is the reconceptualisation of the firm according to which a company is no longer a business that produces commodities, but a "bundle of assets deployed in order to maximise short-term earnings" (Fligstein, 2002, p. 129). The move from a "sales-and-marketing" to a financial understanding of the firm was a result of aggressive antitrust policies of the Truman and Eisenhower administrations (Fligstein, 1990) and the consequent emergence and consolidation in the US of the large conglomerates of the 1950s and 1960s, which were viewed as 'well-balanced stock portfolios' of diversified assets (W. Espeland & Hirsch, 1990). The inflation of the 1970s, furthermore, bloated the price value of capital assets to levels higher than the market capitalisation value of the same companies, resulting in a situation in which buying an organisation and selling it further would imply larger profits than keeping it and relying only on its return on value. The resultant takeover and merger mania was only put to a halt when the Reagan administration relaxed antitrust regulations and firms became more concentrated on specific sectors, which did have the effect, nonetheless, of a more persistent preoccupation with the stock value so as to prevent hostile takeovers.

The second development is the rise of asset management and institutional investors. If in the 1950s and 1960s, insurance companies and pension funds had been under legal restrictions on investing in stocks while mutual funds were playing little role in gathering household savings, in 1974, with the publication of *The Employee Retirement Income Security Act* and its amendment in 1978, the prohibitions were lifted and pension funds and insurance companies were thus allowed to direct their funds not only to company stocks but also to riskier instruments such as junk bonds and venture funds. This, together with the generalisation of the remuneration of management in the form of stock options (which implied that better return on equity is favourable not only to owners, but to mangers too), led to increased pressure on pumping up the value of corporate stocks and, ultimately, to institutional investors replacing household stockholding (Lazonick & O'Sullivan, 2000).

Another strand of scholarship that has stemmed from sociology and has come to play an important role in the understanding of processes of financialisation is the social studies of finance. This and other disciplines that employ anthropological and ethnographical methodologies, together with the nascent interest in finance shown by cultural studies, have come to broaden the analytical space and open up finance to dimensions hitherto unexplored. In the words of Montgomerie, mainstream studies of financialisation describe it as "an elite process of a highly technical nature, whereby financial transactions take place on a massive scale by nameless and faceless actors, which states, and households, can merely observe at a distance and experience only after the fact" (2006, p. 302). This not only contributes to perpetuating the view that finance is an exact science that develops according to scientific progress, but it also hides the foundation on which finance relies and turns – the subjectivities, discourses, and practices of everyday life. It is only by "elevating the ontological status of the everyday" (Langley, 2008, p. 37), that one can make better sense of how finance is constructed at a grassroots level and in a more holistic manner.

Beyond making finance 'popular'(Erturk, Froud, Johal, Leaver, & Williams, 2007) and extending its power-sources deep within society (Seabrooke, 2006), two interrelated notions are crucial for this literature: performativity and subjectivity. Drawing on the work of Latour (1988) and Callon (1984) on actor network theory, the social studies of finance strand has emphasised how financial markets are not hard realities to be discovered, but entities that are performed by human and non-human actors. Economic models, for instance, are not simply describing economies, but are an integral part of their constitution. This leads MacKenzie to claim that when it comes to the derivatives market, financial models are ‘an engine, not a camera’ (2008) – in other words, they do not (simply) reflect, they constitute. Other non-human actors contributing to the constitution and perpetual transformation of markets are of course technical equipment such as computer screens or communication channels.

Performativity is linked to the other crucial aspect of this type of insights – subjectivity. This notion has to do with the fact that financialisation relies on the creation of specific identities, such as the ‘investor subject’ (Aitken, 2007). By drawing on governmentality studies (Foucault, 1991), this avenue of research built on the idea that neoliberal finance fashioned a particular type of subjectivity by “the calling up of self-disciplinary, responsible and entrepreneurial subjects in financial markets” (Langley & Leyshon, 2012, p. 369). This entrepreneurial subject was fashioned through various narratives in advertising campaigns, pop culture, etc., but also through policy initiatives of democratising finance (O’Malley, 2004).

Among extant perspectives combining financialisation and subjectivity, Paul Langley has written one of the most comprehensive accounts on the issue of governing subjects and the relationship between global finance and everyday life (2008). By explicitly making reference to governmentality as an analytical perspective, Langley claims to show how global finance is not somewhere ‘out there’, segregated from the lay practices of quotidian existence, but is deeply intertwined with and indeed is made possible through the changing behaviour and subjectivity of the average individual. By linking saving and borrowing routines with capital markets through mutual funds, pension funds, and other similar institutions, he is able to show how ‘calculative tools’ and ‘performances of risk’, merged with ‘financial subject-positions’ and ‘self-discipline’, combine to constitute the global financial order. At the other end of this spectrum is also the function of imagination in responding to financial transformations, whereby, for instance, a specific type of recollection of past financial events bears on current efforts to resolve and diagnose present crises (Samman, 2014, 2015).

Other authors, by drawing on the concept of ‘biopolitics’, have understood the process of the financialisation of everyday life as an instance of ‘biofinancialisation’, that is, utilising biological and organic processes through, for instance, the creation of enhanced and impaired pension annuities (such as the smokers' pension) for fashioning 'biofinancial subjects' and new horizons of capital accumulation (French & Kneale, 2012; Lilley & Papadopoulos, 2014). Similar arguments have been made with regards to the increasing 'socialisation of finance', or in other words, the increasing penetration of financial markets, opportunities, and power into the core of social life (Seabrooke, 2006; Watson, 2007). This can happen quite literally through bringing finance closer to the 'common individual' through growing financial popularisation, access, and inclusion (Hyman, 2012), but it can also happen more indirectly through the disciplining nature of financial regulation bodies and initiatives which, though seemingly removed, arcane, and targeted at elite financial institutions, are nonetheless pervasive and effective at creating docile economies in the image of prevailing ideas (Vestergaard, 2008).

Furthermore, cultural and social studies of finance, which usually employ ethnographic methodologies, have looked at how financial agency is constructed through the intermeshing of individuals, discourses, and devices, be it financial models (Mackenzie, 2008), stock prices, financial contracts, performance indicators (Muniesa, 2014), banking culture (Ho, 2009), or stock and other markets more generally (Callon, 1998; Preda, 2009). As insightful as these studies are about the world of finance, they usually pledge themselves to analysing finance as a field removed from society at large, and rarely do they draw any political implications from their analyses.

All in all, these studies that emphasise non-economic drivers of financialisation open up the possibility of thinking through specific connections: the fact that, for instance, financial tools, methodologies, actors, markets, etc. provide opportunities for governing specific social groups; or that these initiatives rely on particular understandings of the dynamics and nature of the subject on which the intervention takes place; or that, more generally, financial accumulation can occur through the moulding of subjectivity.

Taken together, economic and non-economic understandings of financialisation are thus vast and diverse, and it is difficult to pin down the common threads, though some similar features do stand out: the financial sector has expanded in the last decades through various institutional and infrastructural mutations; there are inherent forces at work in the financial sector; it is a wider, psycho-social phenomenon; and it has led to new contradictions in society (money manager capitalism, debt-led model of growth, a surge in bubbles or the rise of the shareholder value ideology). Ultimately, what ties them together is that since about 1970, there have been major changes in various dimensions of human existence, with finance playing an increasingly more important role, not only as an isolated sector of the economy which employs ever more individuals and has an increasingly greater turnover, but as an all-embracing sector into which more social actors find themselves involved. The social policy field is an example of this process, though there is a noticeable paucity of perspectives on this link, and the few that can be identified generally lack a thorough explanation of the mechanisms behind the expansion of finance to this field. The next part outlines what is meant by this.

3. Welfare and social investment in an era of financialisation

The literature on financialisation has also investigated this process in the field of social policy, though, it must be said, social impact investment was initially outside of its focus area and was thus not seen as an instance of financialisation. The literature on social investment was in fact confined to the reports produced by the organisations involved in the programmes, coupled with the papers coming from isolated research centres or labs in top-level universities following developments closely and often being involved in the programmes themselves. This literature was mostly concerned with the nuts and bolts of the social programmes' operation, and generally adopted a functionalist approach with the intent of assessing or improving efficacy (e.g. Vanclay, 2003; Wood & Martin, 2006; Nicholls, 2008; Loxley, 2013; Warner, 2013; Nicholls, Paton, et al., 2015).

More recently, the phenomenon of social investment made its way into non-professionally involved academic departments as well, with the lion's share of research, in particular when it comes to emerging financial instruments such as social impact bonds, taking a critical view and seeing it as the result of a combination of the global entrenchment of austerity policies ensuing the global financial crisis and the advancement of the ideology of neoliberalisation, and, finally, the practice of financialisation (e.g. Joy & Shields, 2013; McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013; Bryan & Rafferty, 2014; Dowling & Harvie, 2014; Barman, 2015; Whitfield, 2015). These studies decry the narrative of the overburdened but underfunded post-crisis welfare state and see the rise of social finance as an attempt to create yet another 'frontier of accumulation', this time at the heart of the state's traditional function of provider of social security and safety nets against market vagaries (Dowling, 2016). Worse still, this is perceived not simply as a product of a sustained assault from private actors, but as a state-sponsored initiative of dismantling the welfare state and promoting social finance as a more capable and efficient surrogate thereof, with politicians such as the former UK prime minister claiming that using the power of finance to tackle social problems has 'transformative' potential for society (Cameron, 2013).

Taken together, these accounts provide a great deal of insights regarding the multifarious ramifications and implications social finance has had upon the evolution of the welfare state in the Western hemisphere and indeed beyond. That being said, not a lot of emphasis has been placed on how this process of financialisation actually occurs. The first type of literature, coming from professionally-engaged sources, generally looks at the construction of particular social finance instruments or puts forth principles and ideal norms that should be governing the field, such as community development and empowerment (Vanclay, 2003), market transparency and standards (Wood & Martin, 2006), early interventions with evidence based results (Loxley, 2013), or the idea of bringing rigour to social service interventions and private finance to public goods (Warner, 2013). When it comes to the actual functioning of the particular social finance programmes under development, these reports usually adopt a narrative-based analysis of the actors involved, actions undertaken, tools employed in measuring impact, and overall outcome. Engaging with the overarching implications for social policy and the conditions of possibility of the very existence of social finance programmes and instruments is beyond their scope.

The latter is very much the mission of the second type of literature mentioned – the one coming from non-professionally involved academics. Many of these studies identify the emergence of social impact investment as an instance of the encroachment of financialisation in the field of social policy. Dowling and Harvie (2014), for instance, claim that social investment is part of the political economy of The Big Society agenda (discussed below), which tries to use market logics to 'harness the social' and solve three interrelated crises: the capitalist accumulation crisis (the global slump ensuing the financial crisis), the social reproduction crisis (unemployment, wage stagnation, inequality, etc.), and the fiscal crisis of the state (austerity and spending cuts). The launch of social investment promised to take advantage of the opportunities presented by the so-called 'age of austerity' and introduce financial logics at the heart of social policy, thus creating profit-making possibilities for finance, providing subsistence services for disenfranchised populations, and privatising costly state programmes. Similarly, Joy and Shields (2013) construe the rise of social investment as an instance of financialisation, but they equate financialisation with marketisation, and specifically the marketisation of the third sector (e.g. NGOs, charities, philanthropic organisations, and service deliverers). This occurs because of privatisation and the exposure to competitive pressures, which benefits large organisations at the expense of smaller ones, especially in lucrative areas such as hospitals or prisons where large profits can be expected. Furthermore, these organisations can have significant weight in the design of social policy, as well in its delivery. The result of financialisation in the field is the skewing of power towards these actors and the pushing away of mission-dedicated small entities in an environment where profit traditionally did not constitute an incentive. In a similar vein but delivering a more scathing critique, Whitfield claims that "social impact bonds are a mutation of privatisation" (2015, p. 9), in that they introduce a 'venture capitalist model' at the centre of social service delivery, with expected profits of 15-30% on programmes that are cherry-picked for their ease of evidencing impact and that make social needs dependent on private markets.

These perspectives are invaluable for their critical insights on the emergence of social investment. But rather than discussing the mechanisms behind the encroachment of finance in the field of social policy and the introduction of these services into the logic of financial accumulation, they mainly focus on the consequences financialisation has had upon the latter. That said, there are a couple of studies worth mentioning that tried to undertake precisely the task of unpacking the channels through which financialisation advances, and that provide the main direction of this thesis as well. One is Bryan and Rafferty (2014), who subscribe to the following meaning of the term 'financialisation': "not (or not just) that the finance sector is getting bigger, but that financial ways of calculating are becoming more pervasive socially" (2014, p. 891). Their contention is that critiques of the rise or resurgence of neoliberalism have focused too much on the issue of the quantitative expansion of markets, which has hampered their analysis from grasping the truly transformative nature of 'financialised capitalism'. This consists not (only) in the extension of ownership over the means of production (through privatisation, deregulation, etc.), but (also) in the extension of the ownership of exposures to the performance of the means of production, without the actual ownership of the latter. This has been made possible by the creation and impressive spread of derivatives, which have allowed an unbundling of contiguous ‘things’ into a set of components that can be traded separately.

Just to take an example, it is well documented how during the financial crisis credit default swaps (CDS) were used not only as hedge against potential downturns in markets, but also as speculative tools for exposure to the performance of the housing market and of the financial instruments derived from it (Tett, 2010; Lewis, 2011). This was accomplished, for instance, through the unbundling of the price of the house from the actual ownership of the house itself, and through the isolated exposure of the price fluctuation risk. But prices are only the most common attribute being traded through derivatives; many other elements can be traded, be they stock market indices or indeed weather attributes (via temperature or precipitation indices). What this means is that the ‘calculative devices’ of derivatives can extend and encompass virtually any thinkable aspect, social life included. The overarching implication of this, as has been noted by Wigan (2009), is that derivatives construct an ‘artifice of indifference’, which expresses itself in the capacity of finance to (at least seemingly) uncouple itself from the ‘real economy’, and trade in the performance of the latter without having any actual stake in it.

In the case of social investment, Bryan and Rafferty (2014) claim that financialisation has been advanced through the extension of the derivative logic to social programmes. Specifically, this is done through the unbundling of the social programme and the purchase of only the performance (in the case of social impact bonds, the social impact or outcome itself) and not the actual implementation of the service. Once a secondary market is created in the field, investors can also trade their exposure away, and all of this, again, without any ownership of the underlying social policies, state institutions, or service delivery. Their analysis of the rise of the social investment market is tentative and marginal, Bryan and Rafferty mainly focusing on the extension of the derivative logic more generally as an avenue for financialisation to advance on non-financial realms and to constitute new opportunities for capital accumulation. There is no purposeful investigation of what this advance of finance looks like, what instruments it employs, or to what constitutive epiphenomena it gives rise. That said, their argument is valuable in a wider sense, in that it provides a novel template for understanding financialisation not (only) as the quantitative expansion of financial markets but (also) as the qualitative extension of financial ways of approaching non-financial entities.

The other study that approaches the issue of the channels through which financialisation occurs is Chiapello (2014). Chiapello adopts a framework that stems from the SSF scholarship outlined above, and looks at financialisation as a phenomenon engulfing non-financial valuation processes. She utilises impact investment as a case study, but makes a grander claim about the 'financialisation of valuation'. By this, she means that "valuation processes equipped by models, instruments and representations belonging to the explicit knowledge underpinning the approach and practices of finance professionals" (2014, p. 17) are proliferating and indeed 'colonising' spheres of social life that were hitherto somewhat removed or ring-fenced from this practice. This financialised knowledge-practice complex has three main pillars that can be identified in the discourses of financial economics and mathematical finance, which also serve as channels through which financialised valuations are disseminated: market prices, calculation of net present value, and probability-based estimation. The main characteristic of these models is that they construe value from the subjective viewpoint of the financial investor, who is driven by what can be called 'presentism': an imperative to focus on short-termism by endowing present prices with information about the future which can be discounted and whose risks can be accounted for through statistical modelling and probability estimation based on parameters found in the recent past. This valuation ethos is what Chiapello identifies as spreading to non-financial activities, and she takes three case studies to illustrate it: artistic activities (as reflected in EU-level policies such as 'The European Agenda for Culture', 'Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth', or the 'European Capital of Culture'), environmental policies (such as the Kyoto Protocol or the UN Economics of Ecosystem and Biodiversity initiative), and social organisations engaged in impact investment.

With regards to the latter, Chiapello claims there is "a redefinition of the idea of donations and grants, which become investments that must have returns" (2014, p. 25) – not just financial, but also 'social returns'. The invention of Social Return on Investment (SROI) is an example of this shift. SROI is a metric that works by meticulously calculating social impact and expressing it in monetary terms, with the intent of quantifying social returns and rendering them commensurate for investors (Krlev, Münscher, & Mülbert, 2013). Social return, as a potential third valuation metric beyond risk and (financial) return, encapsulates the idea that impact investment could become an asset class in itself, with investors entering and exiting the market in conditions of perfect liquidity. Importantly, Chiapello argues, this stress on impact measurement should not be conflated with the demand for accountability or transparency, because as desirable as the latter are, it "does not mean that the only way to approach these questions is as an investor who seeks the best return, invests and divests as opportunities come up" (2014, p. 25). Nonetheless, that is precisely what is occurring: financialised forms of valuation are slowly creeping into the field of social policy. Thus, financialised valuation, as construed by Chiapello, is, in the case of social finance, a form of economisation (Çalışkan & Callon, 2009) of social impact and assetisation (Birch, 2016) of social policy.

But while this account is justified in signalling the crucial stake of metrics and measures of social impact in sustaining the market for impact investments, it still presents a simplified version of the emergence and meaning of these socio-technical devices. This is due to the overly functionalist role assigned to these socio-technical devices, as simply useful prostheses that serve a supporting role in the process of the financialisation of valuation. This misses out, as will be argued below, on the essential fact that socio-technical devices have a 'life of their own' and they crystallise particular types of values which may not be financial in nature at all. It essentially misses out on the entire multifaceted process of value creation or worth attribution. An in-depth investigation of these is required to elucidate this fact. Furthermore, Chiapello conflates too easily financial forms of valuation with the emergent forms of valuation present in the field of social investment. While these appear as the process of financialisation deepens, it is not at all clear that they must necessarily take financial forms. Even though they might support financialisation, this does not mean they are created in the same flesh; they might hybridise, and it is also an in-depth investigation that can reveal it. That said, as in the case above, Chiapello's study is important as it opens up the possibility to look at financialisation as a phenomenon that encompasses valuation processes, and occurs thus through the transfer of financial actors, methodologies, and instruments in non-financial fields. This will make the focus of the next chapter.

But to sum up, recently, there have been an increasing number of studies looking at the encroachment of finance into the field of social policy. The ones that look specifically at social investment and SIBs identify them indeed as an instance of financialisation. That said, the manner in which their verdict is presented suggests that social investment itself is merely seen as a symptom of financialisation, not as an outright field in itself that needs explanation. In other words, what is lacking here is a more encompassing explanation of financialisation, one that goes beyond the idea that finance as an all-engulfing force that transforms any non-financial realm into its own image. This section has highlighted two studies that open a path for undertaking precisely this kind of analysis, though it is shown that they fail to provide it. The issue of the valuation processes at play that give birth to and support the social investment infrastructure are still unaccounted for.

4. Conclusion

This chapter has sought to unpack the manner in which the advance and expansion of finance has been conceptualised by the various scholars that have tackled this issue. Financialisation is arguably one of the most important political-economic developments of the past half of century, and this has not gone unnoticed. Incensed by the financial crisis and the imperative of making sense not only of its origin and consequences, but also by the manner in which the latter could be mitigated or resolved, research has moved into the direction of unpacking the process of financialisation. But instead of converging on a single perspective, the scholarship on financialisation has been fundamentally divided on economic and non-economic lines, with the wedge dividing them turning mostly on the perspective of the drivers of financialisation.

While the parameters for the advent of financialisation can arguably be construed as being comprised of pro-market policies and deregulation, nothing inherent to these two dimensions suggests that financialisation was the inevitable outcome, which implies that the phenomenon itself had to be explained. The two main perspectives outlined above provided many such explanations, themselves divided on further aspects: some were taking longer or epochal views, others were looking at short-term drivers; some emphasised cyclicality, others contingency; some looked at technological aspects, others at issues regarding subjectivity, and so on.

One area that was inevitably taken up by the scholars researching financialisation was the field of social policy. This initiative was made all the more urgent, given the noticed strain inflicted on the latter by the widespread austerity policies adopted as an avenue for rebuilding public finances, credibility in front of capital markets, and indeed, as argued by some, the moral rectitude tarnished by years of 'living beyond one's means'. The paradox here was that while resources were retracted from the pot devoted, among others, to the pursuit of social policy objectives, other resources were made available for the bailout of financial institutions. And instead of this leading to a distrust of the latter, in countries like the UK the reverse occurred: financialisation was construed as representing a viable solution to, if not replace, then at least complement state-delivered social policy. The concrete proposal came in the guise of social impact investment.

Scholars of financialisation have picked up on this development, and they have conceptualised it in various ways. But while questions regarding 'what' happens and 'why' are well-attended to when it comes to issue of welfare, social investment, and financialisation, the issue of 'how' this process occurs – or what are the infrastructure and mechanics that undergird the encroachment of finance within the social field – is under-explored. What allows social policy to become "a source of wealth to be harnessed" (Dowling & Harvie, 2014, p. 881)? What is the foundation upon which "the language of finance appears to be gradually invading public policies" (Chiapello, 2014, p. 30) or the channels through which "financial ways of calculating are becoming more pervasive socially" (Bryan & Rafferty, 2014, p. 891)? In other words, what are the ways through which this process of financialisation actually takes place and renders social policy into a 'new frontier of accumulation'?

This is an important question, because, among other things, social impact investment projects rely on particular understandings of how social value creation occurs in society. The financialisation paradigm would suggest that these processes are colonised by the financial sector, with financial actors or methodologies encroaching upon the mechanisms of social policy delivery. In reality, as will be explained below, while there is now a complex co-imbrication between finance and social policy which was hitherto absent, this does not occur in a simple linear or unidirectional manner. On the contrary, in the field of social investment, the intermeshing of finance and social policy results in the emergence of hybrid spaces, processes, and values, which cannot accurately be gauged solely as instances of financialisation.

To illustrate this point, this thesis will adopt and develop a valuation approach – as explained below – to look at the financialisation of the social policy sector. The case made by Chiapello (2014) constitutes a fertile entry point for dissecting the relationship between financialisation and social policy, because measurement devices are far from being neutral or objective tools for quantification (Diaz-Bone & Didier, 2016). On the contrary, they enclose an implicit social process of valuation – negotiation, selection, abstraction, ordering, standardisation, and institutionalisation – which, if reduced to the narrow instrumentality of the resulting metric, conceals the essentially socially constructed nature of the reality evidenced by the measurement device (W. N. Espeland & Stevens, 2008). In other words, any process of quantification hides an implicit process of qualification, and unpacking the former on these lines can tell a more complex and multifaceted story regarding the social mechanisms behind processes of financialisation and how they interact with hitherto non-financialised spaces and entities. The next chapter develops this approach.

From value to valuation: A framework of investigation

1. Introduction

As stated above, the preferred framework for critically analysing the subject at hand is the one provided by the emerging scholarship of valuation studies. With some notable exceptions, the literature on financialisation, especially the one focused on the social policy field, has long ignored the process of worth attribution, and this has resulted in incomplete accounts of the mechanics of financialisation and in inaccurate descriptions of the inherent value creation that is part and parcel of that process. This chapter unpacks the notion of valuation and describes how it can function as a theoretical lens through which various socio-economic phenomena can be investigated. In particular, this section discusses how recent concerns with the notion of ‘valuation’ can illuminate the relationship between financialisation and the pursuit of social policy delivery. Valuation, as a process of attribution of value or worth, can disclose how different actors or communities, organisations, institutions, states, cultures, etc. approach or gauge various objects, entities, or processes. By delving into the process of the attribution of value, the particular types of meanings with which specific things have been endowed can be exposed and opened up to analysis and discussion. In other words, in order to gauge the value of something, actors need to decide what counts in the assessment process. Various dimensions or qualities are available for this. Of course, there are more fundamental orders or regimes of worth, such as economic value (emphasises monetary gain), aesthetic value (emphasises the physical beauty of the object), or religious value (emphasises matters of faith and spirituality), which crystallise various qualities under one specific regime of value. The ready availability of these regimes of worth, together with their criteria for establishing whether or not a specific object fits into this or that regime, makes it easy to evaluate, for instance, a car, a sculpture, or someone’s behaviour around fasting periods.

However, what economic sociology has emphasised is that the choice of order of worth that actors make is not fixed and irreversible; on the contrary, some things that appeared natural in the past, such as paying money for child labour, or indeed the buying and selling of people, have largely disappeared or have become morally objectionable (Fourcade, 2011). In other words, in these two examples, attributing a monetary value has become unacceptable or even unthinkable. Regimes of worth, thus, are dynamic and may change over time. And this can arise somewhat naturally and surreptitiously, or it can be part of an explicit social process of deliberation. Moreover, this does not preclude the possibility of the synchronic co-existence of a plurality of values, without an apparent cohesive regime of worth emerging as hegemonic. A painting, for instance, can be evaluated both through its economic and through its artistic value, and each of the two can sometimes successively become dominant in specific instances (Karpik, 2010). Of course, some things might resist attempts of integration in unconventional or unfamiliar orders of worth and might be seemingly perennially separated in 'hostile worlds' (Zelizer, 2000), but the appearance of tensions is always a possibility, as the borders between different regimes of value are porous and changeable. This is especially visible in examples such as the market for donor organs, carbon trading, or compensation for oil spills (Fourcade, 2011).

Furthermore, valuation is generally not simply done through the decision and choice of a single specific human actor, but it increasingly relies on the help of measuring devices, such as rankings, standards, ratios, benchmarks, or ratings, which are 'objective' tools that provide ready-made ordering criteria (Callon, 1998; W. N. Espeland & Sauder, 2007; Karpik, 2010), and which in extreme situations (for instance, high frequency trading or some automated services in healthcare settings that control resource allocation) could completely evade human involvement (Kjellberg & Mallard, 2013). Standard-sized containers, university rankings, oil benchmarks, national economic indices, etc. are not simply cold data, but are instruments employed in ordering the worth of things.

While measuring devices are an increasingly important aspect of how valuation is undertaken, this does not mean that they are simply given or imposed extrinsically. Rather, behind their proliferation lies a complex social process of dialogue, debate, and contestation in the creation and selection of criteria of quality (Boltanski & Thevenot, 2006). In other words, the choice of which regime of worth is most relevant to a particular situation is not fixed, but socially moulded through an intricate and often unstable procedure. Aesthetic value, for example, has seen various criteria of artistic worth emerging, overlapping, and contesting one another between the end of the 19th century and the middle of the 20th, in the quest of establishing a single, undisputable hierarchy of aesthetic value. This process has ultimately resulted in the dissemination and parallel co-existence of ‘art movements’, such as impressionism, expressionism, pointillism, futurism etc., without one single movement constituting the ultimate regime of worth (Karpik, 2010).

These insights are especially salient in the market of social investment, given that one of its explicit goals is to generate ‘blended return’: social together with financial (Emerson, 2003; Nicholls, Paton, et al., 2015). How social value should be understood, and how to probe that social value or social impact has been achieved in a particular situation is something that the valuation perspective could illuminate. To claim that social investment and social impact bonds are a form of the financialisation of social policy delivery means to say that financialised valuations have colonised the spaces of social value, or, in other words, that "valuation processes equipped by models, instruments, and representations belonging to the explicit knowledge underpinning the approach and practices of finance professionals" (Chiapello, 2014, p. 17) have invaded the space of social value creation. An analysis of the valuation processes occurring in the field of social investment, delivered below, will show to what extent this is the case.

In order to analyse the valuation processes that underpin finance’s advance in the field of social policy design and delivery, this chapter will develop the guiding framework of the thesis, and is structured as follows: the opening section focuses on how the term ‘valuation’ is generally understood in the finance industry and what kind of tools and models financial forms of valuation usually employ in the process of estimating value for business. It is shown how this contributes to a narrow understanding of the worth attribution process, not unlike the older subjective-objective binary under whose sway value was understood historically. In fact, this chapter will argue that even within financial practice the valuation process generally includes other taken-for-granted dimensions that render the latter operational and without which it would not be possible. The second section focuses on the field upon which finance sets its web – social policy. It is shown that finance advances in this area in the shadow of a specific historical intimacy that can be identified between an area designated as 'the social' and a set of instruments designed to make that area graspable to knowledge and amenable to intervention. There is nothing self-explanatory about the former, and there is nothing necessary about the latter – both were indeed historical contingencies. Finance came to inhabit the place opened up by their linkage, but it thus had to contend with a reality that was already complex and multifaceted, and that was integrated into a logic of governing that ultimately led to the development of welfare states. This section will thus trace how that space, 'the social', which is ultimately the taken-for-granted basis of the social impact investment field itself, was 'discovered' and construed, and how it was finally adopted as a legitimate space to be the target of intervention and policy objectives. This discussion should give some clues regarding the intricate nature and immanent traits of the field that finance was trying to penetrate, and show how the latter proves insufficient a means for capturing the value dynamics involved there.

Finally, the chapter proceeds to outline, by answering Dewey's call for a flank movement in the study of value, how a renewed understanding of valuation as a worth attribution process can more thoroughly illuminate this relationship between financialisation and social policy design and delivery. And given that so far there have not been any attempts at providing a breakdown of the stages in a valuation process, this chapter surmises what these might be so that valuation can be construed as a legitimate framework for investigating the case of value creation. By utilising insights from economic anthropology and economic sociology, it finds that the valuation process can be understood as six-step sequence – going through negotiation, selection, ordering, abstraction, standardisation, and institutionalisation – occurring at three levels: exploratory, systematising, and political. This sets the scene for uncovering the valuation processes at work in the case of social impact investment.

2. The value of financial valuation

On August the 9th 2007, BNP Paribas suspended three of its investment funds, which were composed of collateralised debt obligations (CDOs), after their value plummeted by a fifth in the course of two weeks and liquidity dried out. The reasons cited for this course of action was that the CDOs, composed in their turn of tranches of mortgages and other debt obligations such as credit card receivables, student debt, car loans, phone contract debt, or even airplane leases, were too complex to gauge and were thus impossible to 'value'. This breakdown in the valuation process is generally considered to be the trigger of the 2007-2008 financial crisis and an omen for the economic turmoil that was to come (Datz, 2013; A. Milne, 2009). Before this event, the profusion of financial instruments brought about by decades of financial innovation and auspicious market conditions did not constitute an issue as far as assessing the value of novel securities was concerned. Generous market liquidity reinforced the impression that the track-record that financial valuation accumulated in the market for structured products was testimony enough to the if not infallible, then at least optimistic and reliable nature of the 'value discovery' process of innovative financial instruments. This crystallised the view, and the associated practice alongside it, that the alphabet soup of structured products – ABS, MBS, CDO, CDO squared, etc. – was really composed of homogenous assets and all that was needed for investors to know was the type of security and the rating bestowed upon it by credit rating agencies, in order to be confident that value was correctly assessed. The events of 9th of August shattered this long-held illusion, and prices not only nosedived, but also began diverging within the same asset class, with tranches previously trading at similar prices determined by and large by their credit rating now displaying discrepancies of 10-20 percent in value (A. Milne, 2009). Essentially, this exposed the deep issues underlying long-term and well-entrenched valuation practices.

'Valuation', therefore, is a word that is far from unfamiliar in the financial community. In its narrower meaning, it signifies determining the price of something. In this sense, it follows a long line of thought, going from Adam Smith (2014) and Marx (1990) through

Veblen (1906) and Commons (1934) to Menger (1871), Jevons (1871), and Walras (1874), that was dedicated to uncovering the real source of value behind a commodity's worth, so that it can most appropriately reflect that source in its value understood as price. But in this narrow view, this understanding of value ends up a victim of the same shortcomings to which this line of thought was subject: construing value in a mechanistic and binary way as either subjective or objective.

The subjective or extrinsic understanding, resting on marginal analysis, rational choice, utility maximisation, and general equilibrium, generated a framework for understanding economic phenomena that emphasises market perfection and price discovery, and viewed anything that interferes with the 'natural' course of free markets as obstacles to perfecting that have to be removed. The objective or intrinsic view took its cue from the labour theory of value and generated research on processes of exploitation, alienation, value extraction, and accumulation by dispossession. Ultimately, the whole binary understanding of value as being generated either through subjective or objective mechanisms discarded anything else that was alien either to the cumulative space of rational and individual decision-making or to the confined space of the factory site and industrial organisation as mere inconveniences or addenda to the real site of value creation. In these interpretations, the 'laws of the market' or 'market devices' (Callon, 1998; Callon, Millo, & Muniesa, 2007) are secondary. As such, they can either perfect or pervert the market; they cannot constitute it. As a result, reflections on value and the process of creating, assessing, and comparing it were crippled by the traction that the subjective-objective value binary had on economic analyses. Value was considered to be a mechanic and static dimension that was either ingrained in the commodity by the labour expended on its production, or assigned by a particular rational and utility-maximising individual and transubstantiated into price in the mercantile arena.

Similarly, a narrow understanding of financial valuation yields a skewed perspective that only takes into account a small part of the entire worth attribution process. What weighs heavy now is not the binary itself, but the constitutive role of models. Take the case of financial theory. When looking at modern finance, it is true that developments in financial theory weighed heavily on financial activity and the financial playing field more generally. But they did so by privileging specific formulas of valuation at the expense of the wider social processes, so much so that it became synonymous with the application of those formulas upon a variety of targets. In fact, it is only after the start of the second half of the 20th century, when mathematised theories of finance permeate financial practice, that we see the onset of finance's expansion: "In the space of 21 years, from 1952 to 1973, an entire body of knowledge was created essentially from scratch, with only a few scattered roots in the past. Nothing in the history of ideas can compare with this cascade of ideas in such a short period of time" (Bernstein, 2005, p. 55). Before this period of theoretical effusion, financial activity was mostly dominated by rules of thumb and best practice, while financial theory was relegated to describing institutional and legal matters pertaining to practice. After Markowitz, an unknown University of Chicago grad student, published a paper on what he called 'a theory of portfolio selection' (1952), mathematical modelling penetrated academic research on finance and gave birth to a host of scholarship advancing what would come to be known as modern finance theory (Bernstein, 1998). This, in turn, sparked innovation in financial markets. As Robert Merton, Nobel Prize laureate in Economics credited with the refinement of the Black-Scholes formula, argued four decades later:

> "In summary, in the vast bulk of the past, mathematical models have had a limited and ancillary impact on finance practice. But during the last two decades, these models have become central to practitioners in financial institutions and markets around the world. In the future, mathematical models are likely to have an indispensable role in the functioning of the global financial system including regulatory and accounting activities." (1994, p. 460)

The view that 'valuation equals model application' was solidified by sustained breakthroughs in academic scholarship which translated into palpable, useable instruments in financial markets. For example, before Markowitz's mean-variance theory of portfolio selection, the idea that a group of securities managed in synchronicity can yield, over the medium to long term, a higher value than managing a single asset at a time, based on the return it provided at that moment in time, was unthinkable (Bernstein, 1998). Investment and asset management was crippled by the idea that stocks are essentially bets that should be cherry-picked but that could not shake off the risks involved; the latter are simply ingrained in the nature of stock markets. By using mathematical modelling, which was revolutionary enough in the field at the time, Markowitz (1952) proposed the idea of a portfolio grounded in a diversified holding of stocks, with total return equivalent to the average of the rates of return displayed by each individual stock. By building such a portfolio, investors could not only mitigate risk, but actually manage it actively and construct bespoke investment profiles predicated on degrees of risk-appetite.

Markowitz brought complex mathematical calculations to finance, but the real breakthrough for the money management industry came with Sharpe (1964) and Lintner (1965), whose Capital Asset Pricing Model (CAPM) became the foundation for quantifying the return that a risky asset should bring in order for it to be included in a diversified portfolio. In a nutshell, CAPM states that the expected return of an asset equals the risk-free rate of return (for instance, a US Treasury bond yield) plus a risk premium. The latter is a function of the expected market rate of return (less the risk-free rate) and the volatility of the asset in question, or beta. Beta is the individualised risk that the asset brings to the portfolio, and it is gauged not by looking at absolute returns, but at return relative to the market. CAPM and its further improvements were employed for measuring the risk of a security and investment performance, and show how theoretical innovations turned into tools and became industry staples.

One last example of this process is especially telling, given the impact that it had on practice and the speed with which it was adopted from academia directly onto trading floors: the Black-Scholes model for options pricing (Black & Scholes, 1973). This fateful model would change the face of options trading on the Chicago Board Options Exchange within two years of its opening (which coincided with the publication of Black and Scholes's paper) and would lead to a long-time boom in derivatives trading, due to the fact that "virtually from the day it was published, this work brought the field to closure on the subject" (Merton, 1994, p. 454). Indeed Merton (1994) notes that a bespoke calculator utilising the Black-Scholes model was created by Texas Instruments and was adopted in options pricing and hedging, and that such a rapid embracing of theory, which would not only overhaul practice, but also usher in a new form of trading, was unprecedented.

Simply put, the Black-Scholes model sought to calculate the price of a stock option by replicating, in a dynamic and continuously adjusting manner, a portfolio in the underlying stock (Black & Scholes, 1973). If the prices diverge, this creates opportunities for arbitrage, therefore the options price has to be constantly equal to the underlying portfolio. That said, the value of the underlying stock is assumed to be stochastic, with the stock price in time t completely independent of the price in t+1. The price of the derivative – for instance, a call option – is then equal to the price of the stock minus the strike price (that is, the stock delivery price), both adjusted for spread, interest rate, and volatility. This assumption of volatility, though somewhat present – albeit in an implicit way – in previous understandings of stock price movements, now has the far-reaching consequence of consolidating a new financial object – implied volatility – as a legitimate investible in itself that yields higher returns the bigger its value and quasi-independently of the underlying assets (Wigan, 2009). This aspect, also known as the 'random walk' (Malkiel, 1973), is far from insignificant. On the contrary, it is one of the most powerful assets of the Black-Scholes model and goes a long way in explaining why the model stood the test of time in the finance sector and became a staple in derivatives trading. The fact that financial derivatives now constitute the bulk of financial transactions worldwide (Hull, 2014) testifies to the salience of financial theory and its impact on 'real world' activity.

Nowadays, finance professionals use some of these models and representations, albeit in tailored and modified versions in order to suit the particular financial operation in which they are engaging. In practice, there are a host of other models as well, each with its own assumptions regarding the things that count for value and the manner in which the counting should be done, while building to a greater or lesser extent on the insights provided by the profusion of academic research on finance since the 1950s. But while diverse, they do share some common traits and can be grouped together. Financial textbooks, for instance, seem to be dominated by three dominant models that are employed in the valuation process: absolute value models, relative value models, and option pricing models (Hitchner, 2011; F. Milne, 2008; Pilbeam, 2010; Vernimmen, Quiry, Dallocchio, Fur, & Salvi, 2014). It should be noted that these models are not simply tools that mirror or re-present the 'fundamental' value of specific assets or objects to be valued, but they are essentially building blocks through which value is constructed. The fact that each one of these rough models yields a different 'estimation' of the object's value is telling enough of how models create, not reflect, value.

Absolute value models are based on the premise that the fundamental value of an asset lies in the future cash flows that can be expected through its purchase (Damodaran, 2012). In order to estimate this value, the present value of the expected cash flow is calculated by discounting back using a rate that accounts for the riskiness of the investment. By using the method of discounting cash flows, this model yields the net present value of the investment, which can be utilised in assessing its opportunity cost. The rationale for relying on a discount rate is that riskier future cash flows should make the net present value of assets lower, given that an investor can always choose to place the money in a safe security such as a Treasury bond. Despite the significant degree of guesswork involved in both the gauging of the future cash flows and in the choice of discount rate, absolute value models are one of the most popular models used in financial valuation, making some critics go as far as to claim that capitalism itself relies on the logic of rendering any possible thing into an investible by discounting to present value (Nitzan & Bichler, 2009).

Relative value models take a more agnostic view of value, construing the asset to be valued as an object amongst an ocean of similar and comparable objects, which, given they are valued on and by the market, can provide a reference point to extrapolating the value of object to be valued. This method relies on construing the market as a site of veridiction (Foucault, 2010), a place where price discovery is undertaken in a constant and automated manner, by the aggregation of all available information and the balancing out of supply and demand dynamics. This, of course, is based on the efficient markets hypothesis (EMH), which assumes that the market, operating in a state of liquidity and full-information availability, is the best means for the gauging of prices (Read, 2012). In contrast to absolute value models, this approach jettisons the idea that there is intrinsic value (or that, if there is, it can be grasped), and implies that the value of an asset equals the value of the most similar asset found on the market. Evidently, where singular goods are concerned, which lack reference items and indeed a perfectly operating market, relative value models do not apply and are replaced by absolute ones.

Absolute and relative value models have been around for an enduring period, but recently, building on the expansion of mathematised finance theory in the decades following 1952, financial analysts have increasingly applied models used to value options and other derivatives to valuing assets, businesses, and stocks, generally the ones that have option-like features (Damodaran, 2012). The example of an oil company is rather edifying: the investment is composed of the asset itself (the development of the oil mine) and the underlying asset (the oil price). If the oil price increases, this provides the investors with a call option opportunity. Furthermore, as opposed to the absolute value models, which rely on expected cash flows considered statically and singularly, in this case it is presumed that the activity of the oil company can be adjusted according to the oil price swings, and thus an option premium can be attached to the discounted cash flow. The case of patents is similar: neither absolute nor relative value models can estimate their value accordingly given their unpredictable development and singularity. A great deal of emphasis is placed on contingency and firm ability to dealing with it, which adds another reason to why this model is also known as contingent claim valuation.

All in all, financial valuation is a routine practice occurring in the finance industry; that said, temporarily suspending its ordinariness (as it happened on the 9th of August 2007) can reveal how it in fact relies on instruments and models that took decades into making, and that, by cycling or modifying them to greater or lesser degrees, can display starkly different estimations and orders of value. These socio-cognitive but also material prostheses weigh heavily on financial activity and serve, among other things, to grasp and crystallise value as financial value. But despite all acknowledgement of its tentative, spontaneous, or malleable nature, financial valuation is employed with confidence and resoluteness. This creates a problem, because, by focusing mostly on iterations of these three models, it also leads to an understanding of financialisation as simply a case of the application of these pre-existing models upon that non-financial spaces in a linear and unidirectional manner, as if the only aspect that matters or that makes the process of financialisation possible is the extrinsic application of, say, discounted cash flow models on new sources of capital accumulation, and not also other endogenous processes of fashioning that source into a value-producing entity. This view then misses out on wider aspects of worth-attribution and ends up with a partial understanding of the more pervasive pillars of financialisation.

Alas, within financial circles, although the explicit goal of financial valuation is to 'uncover prices' and sometimes there is even a discursive equivalence between valuation and price, in practice the scope of valuation is a broader one, and much more similar to the valuation perspective developed here. Financial valuation considers or accounts for the value of something, and it does so in practice, actively and dynamically, by constituting value with a view of utilising it for the purpose of business. The language finance professionals use in this practice involves describing valuation as more or less 'smart', implying that there is no inherent value before the act of valuation, and that the latter is entirely an unique, creative, and pragmatic process, intimately entwined with the actors involved, the tools used, and the purpose envisaged (Muniesa, 2011). The value of an asset is different before valuation than after it; likewise, different actors with different tools or purposes might arrive at different values. In the opening anecdote, the fact that the value of the tranches of securities that were valued similarly by credit rating agencies both plummeted and diverged shows that it is not accurate to see value as being simply 'represented' or 'discovered'; rather, in some sense these organisational entities create the value itself. Take the following description of the interplay between the process of rating and the value of a security:

> "The grade given to a security issued by a company, bank, or country is the measure that communicates the risks involved. These ratings might or might not deliver accurate predictions but they are the basis by which markets value the debt. […] That the ratings themselves influence the value of the object rated shows how judgments do not just measure value but constitute it. Value is a result of interpretation and not an objective measure of an inherent quality." (Beckert & Aspers, 2010, p. 22)

Value, in this case, is the result of a judgement and of the embedding of that judgement into a practical instrument – a rating – that can be utilised by other actors as an objective anchor which generates a specific price based on a pre-set algorithm. This works, because in a sense this is the socio-financial contract to which all financial actors subscribe, as the following description of use of the average valuation formula suggests:

> "A financial analyst is busy crunching data in order to obtain some reliable figures about the value of an asset that her employer, a private equity fund, is likely to acquire. Some mathematics is involved. The formula indicates the rate the targeted company is expected to pay to its creditors or its owners. The formula is a convention, and hardly anybody expects it to be absolutely accurate. The analyst knows that, but she uses it mainly because everybody else does, and also because she needs to use something and the formula is there, available. She also knows, as you do, that the data may be flawed, that the company's value is ultimately uncertain and that she is basically tinkering. Yet, the figures are calculated, and a financial decision is solidly based on them. On tinkering?" (Muniesa, 2014, p. 1)

By relying on such socio-institutional supports, particular assets assume specific values that would otherwise look different when they are sifted through other supports. That is why, specifically in finance circles, valuation is understood to be something that occurs in practice, as a performance, and through the addition of various socio-cognitive prostheses, much like in spirit of Dewey's pragmatism (1939) and his call for a flank movement in the understanding of valuation.

That financial models and formulas are performative – in other words, that they are performed or acted out, pragmatically – rather than representational is a founding axiom of social studies of finance (SSF). Ever since traditional sociology moved from a sociology of persons to a sociology of things (Boltanski, Esquerre, & Muniesa, 2015), the emphasis has been placed on what these 'calculative tools' (Callon, 1998) actually do, not what they mirror, reflect, or represent. These calculative tools, sociologists of finance point out, can range anywhere from the very abstract and theoretical to the very concrete and material. The very title of Donald MacKenzie's book, *An Engine, Not a Camera: How*

Financial Models Shape Markets (2008), whose research was the mainspring for the explosion of SSF scholarship in the English language speaking community, is indicative enough of the premise that financial models, formulas, or theories create or ignite financial markets, rather than re-present them (quite literally, present them again in a different medium) similar to a photo camera. Examples in this category of calculative tools investigated for their performative capacity include the Black-Scholes model of derivatives pricing (MacKenzie & Millo, 2003), market indices (Millo, 2007), various instruments employed in the service of credit rating agencies (MacKenzie, 2011; Poon, 2009; Rona-Tas & Hiss, 2010), and the Gaussian copula (MacKenzie & Spears, 2014). It can be said then that financial models and formulas, together with financial theory more generally, not only capture reality in abstract terms, but actually institute it, creating financial markets and practices more broadly: the Black-Scholes model was the instrument utilised for the expansion of derivative markets; the FICO score was central in the creation and spread of subprime mortgage finance; the Gaussian copula was the foundation for pricing various CDOs, thereby creating markets in them. Realities are hence brought into being by abstract concepts and tools that simply purport to describe and represent.

At another end lies the issue of materiality and its complementary centrality in the constitution of financial markets. The development of information and communication technologies had already transformed the face of finance in the second half of the 20th century (Neal, 2015; Strange, 1986), but this broad, structural evolution has always been underpinned by important leaps at the micro level, in the form of seemingly insignificant, but actually essential, material tools. First of all, financial markets, far from embodying the ideal of a digitised and interconnected global arena unencumbered by geography or matter, are in fact highly concentrated in relatively few 'global cities' that harbour the technology and computers – hardware and software – that constitute, through the network created through their interaction, the plumbing of global finance (Sassen, 2006). Delving even deeper, it emerges that desks and their physical orientation and organisation are central for the actual creation of opportunities for trading on a trade floor through pattern recognition and intelligence distribution (Beunza & Stark, 2006). In fact, something as puny and seemingly trivial as a stock ticker might have far-reaching and indeed constitutive implications for financial markets (Preda, 2006). These observations become ever more insightful given contemporary developments at the interstices between finance and technology, witnessed, for instance, in the rise of automated and high-frequency trading (Dragos & Wilkins, 2014). The main implication here is that anthropocentric views of agency are insufficient or incorrect in grasping the complexity of agency in financial markets, and that the focus should be moved on the assemblage, construction, or configuration of human agents, spatial arrangements, social networks, conceptual tools, material instruments, financial theories, formal or informal rules of conduct, notice boards, etc., which is eloquently captured by the notions of 'calculative agency' or '*agencements*' (Callon, 1998, 2008). The latter is what really 'has' agency or capacity to act in the financial realm. Attention to all these socio-technical dimensions, material and immaterial, therefore, is paramount to grasping and explaining the mechanisms and dynamics of financial agency.

To conclude, a narrow understanding of financial valuation not only does it capture a very limited part of what goes on in the valuation process, but it also has very limited scope for being employed as a tool in understanding the process of financialisation. By seeing the latter as a case of the application of absolute, relative, or option-pricing models, it leads to a self-referential situation in which non-financial spaces would simply be distorted and adjusted to the straightjacket of financial valuation narrowly understood. It is only by adopting a broader understanding of valuation processes suggested by socio-economic perspectives on the issue, that we can move to a more profound and encompassing grasp of the process of financialisation. This task becomes all the more urgent after one looks at the space which financial valuation would come to inhabit: the social policy field. The latter, as the next section will show, is already characterised by specific inherent dynamics and historical links which are not and arguably cannot be integrated in financial forms of valuation.

3. Integrating the social

Finance, with its financial forms of valuation, advances in the social policy arena. What does it have to contend with here? To begin with, when looking at social impact investment, a founding pillar is the meticulous conceptual delineation of the social dimension(s) upon which the intervention is undertaken. Whether it is reoffending, homelessness, or inclusive growth, impact investment projects generally start with the careful demarcation of the target population, the identification of the social risk confronting the population, the elaboration of a theory of change or intervention, and the specification of potential pathways to better outcomes (Social Finance, 2013). At first sight, there is not much novelty in impact investment when compared to traditional ways of pursuing social policy; however, what should be noted in the case of impact investment is that, at each stage of the engineering of an impact project, there is a strong incentive – and indeed an accompanying practice – to combine social theory with 'hard' social science methods, especially when it comes to the analysis of social dynamics and the creation of outcome scenarios. The latter, in particular, rely on the creation of usually bespoke metrics for measuring the impact an intervention had on the target population, ranging from simple arithmetic measures to more sophisticated experimental methods such as randomised controlled trials, long considered the gold standard in medical settings and adopted as best practice in social impact investment (Osrin et al., 2009). Outcome measurements are not simply guarantees or indicators of the success of a project, but are essential indices tied to the financial structure of the investment, with return generally predicated on degrees of impact and fluctuating based on the degree achieved.

What this implies is that financial instruments such as social impact bonds resemble some of the financial innovations that took off in the late 20th century, especially derivatives, given that what investors buy, at least narrowly seen, is exposure to the performance of an asset – the social project funded by the social impact bond – without ownership of that underlying asset. One of the perceived consequences of this development is that it accelerates the degree of commodification in society by prioritising competitive rates of return and calculative logics in the organisation of social relations (Bryan & Rafferty, 2014), instead of providing top-down redistributive policies, while embedding markets in society and ensuring de-commodification, as per the more conventional understanding of the functions of the welfare state (Esping-Andersen, 1989; Polanyi, 1944). According to this view, social policy has the function of creating a protective buffer against the deleterious social consequences of market vagaries, and the welfare state is viewed as being essentially antagonistic to the workings and penalties of the unshackled economy.

At the same time, impact investment is, in the end, a channel through which social policy objectives are pursued. Leaving aside the indirect consequences it might have, at face value impact investment seeks to harness the resources of private capital markets and direct them to social programmes. Seen from this angle, impact investment can be said to transcend the dichotomy laid out by the antagonistic view of the welfare state, and, contrary to the narrative of the pernicious effects of laissez-faire capitalism, to cultivate the power of unbridled markets for welfare goals.

While this can be seen, at first gasp, as a novelty pursuant the emergence of practices of impact investment, in fact this development falls into line with other interpretations of the source and evolution of the welfare state. Some strands of Marxism, for one, have already emphasised that, far from consisting into an engine for de-commodification, the safety net that the welfare state put into place throughout western societies acted to deepen consumerism and commodification (Jessop, 2002; Panitch & Gindin, 2013). By providing workers, for instance, with unemployment benefits, this ensures that in case an individual becomes jobless, he or she can draw on this purchasing power of last resort to continue fulfilling the demand functions that sustain the operations of the economy. In point of fact, all benefits accrued by the working classes can be perceived as working to supersede the paradox of employers being incentivised to exploit workers as much as possible, which is, in the long term, detrimental to capital as a class category (Steinmetz, 1993). Accounts of welfare inspired by Marxism thus yield perspectives on social policy that do not necessarily include elements of antagonism, but rather complementarity and reinforcement.

These narratives fit somewhat with the thrust of social investment. Some degree of conceptual continuity in the understanding of the means and goals of social policy delivery can be identified. For instance, while the determinants and further development of the Western welfare state are a matter of unresolved disputes, its first expression as a mature institutional feature of Western states is by and large agreed to come, towards the end of the 19th century, under the guise of social insurance (see, for instance, Ewald, 1986; Steinmetz, 1993; Hennock, 2007; Baldwin, 2008; Fraser, 2009; Castles, Leibfried, Lewis, Obinger, & Pierson, 2012). Social insurance crystallised a specific and novel view of 'the social' as a dynamic reality subject to specific inherent laws that are accessible to knowledge and action. The corollary of this finding was that the social was always accompanied by a degree of social risk which is insurmountable, but which can be priced away as compensation through social insurance. Similarly, financial instruments that fund social policy programmes work through the identification of particular social risk and their pricing away to private capital market actors. There are definitely some similarities and affinities, but more important is the fact that finance, as will be shown below, had to grapple with a social space that was not an empty signifier, but a 'reality' perceived to have inherent traits and dynamics. This created both opportunities and limitations.

1. Policy and political economy

What made 'the social' amenable to being integrated in an economic logic is a particular interplay between knowledge and power that has characterised the development of the modern nation-state. For instance, from the mid-16th century onwards, it is not only the case that the medieval and classical antiquity political treatises that took the form of princely advice on the "proper conduct, the exercise of power, the means of securing the acceptance and respect of his subjects, the love of God and obedience to him, the acceptance of divine law to the cities of men, etc." (Foucault, 1991, p. 87) suddenly disappear and give way to something that can be described as 'the art of government', but also that the entire issue of 'government' explodes in both depth and breadth. From the Stoic question of how to govern oneself and the Christian question of how to govern souls, to the rise of pedagogy with the issue of governing children and finally the problem of governing the state, the concept of 'government' emerges as the nodal point tying society together under the auspices of a prince that is no longer required to merely obey universal and established norms, but to actively manage the subjects of his reign. Most importantly, the object of that practice is no longer a territory – or not simply a territory – but a population. And the issue of population will turn out to be essential to the development of the art of government throughout the next centuries. Crucially, at this point in the 16th century, the main predicament that the various political treatises attempt to overcome is that of "defining the particular form of governing which can be applied to the state as a whole" (Foucault, 1991, p. 91). The recurrent answer that is given is that 'economy', which is to say the norms governing the perpetuation and augmentation of individuals, goods, and wealth within the family, is the best model for governing the population at large in a top-bottom model. A good prince therefore is one that behaves towards its subjects in a manner similar to that of head of a family looking after his household and belongings.

The dominant issue thus becomes how to introduce 'economy' into political management. What can be observed in this regard is that as soon as the household economic model penetrates political practice, it suffers fundamental modifications, acquires a modern meaning, and produces consequences for the exercise of political power: "the word 'economy', which in the 16th century signified a form of government, comes in the 18th century to designate a level of reality, a field of intervention" (Foucault, 1991, p. 93). Government is no more about overseeing static objects (in the sense of observing whether subjects obey the written laws or unwritten customs and norms or not and punishing them accordingly if required), it is now about managing dynamic realities: a complex of individuals interacting not just with one another, but with the things surrounding them as well. The ruling bodies will now have to secure the increase in the nation's wealth, the reproduction of the population, the predictable provision of an uninterrupted flow of the means of its subsistence, and so on.

What emerges then is the idea of 'statistics', or "the science of the state" (Foucault, 1991, p. 96). Mercantilism, for instance, as a form of rationalisation of the incipient art of government organised around the theme of 'reason of state', was based on the idea that the global economy is a zero-sum game and that the aim of each state is to ensure that it acquires a large slice of the total amount of world monetary reserves (i.e. gold) through managed international trade and subsidised domestic production, which would be made possible by the development of theories and minute instruments of measurement of trade flows and output such as modern accounting and double-entry bookkeeping (Magnusson, 2015). Statistics were thus interposed as a link between the governing body and the reality to be governed.

Mercantilism became the dominant model for achieving the aims of the monarchical states of the 16th-18th centuries. That said, the demographic changes of the late 18th century provided the biggest challenge to a political-economic model that was in danger of becoming entrenched. One of the main consequences of these changes was a re-emphasis on the issue of 'population'. Until this point, the population issue would emerge time and again as a result of some catastrophic event – epidemic, war, famine, etc. – if only, though, as its negative, that is, depopulation, and the ensuing question of repopulating barren territory (Elden, 2007). 'Population', in its new positive sense, is no longer merely the aggregation of the totality of individuals inhabiting a particular space; 'population' becomes a specific dynamic reality:

> "Whereas statistics had previously worked within the administrative frame and thus in terms of the functioning of sovereignty, it now gradually reveals that population has its own regularities, its own rate of deaths and diseases, its cycles of scarcity, etc.; statistics shows also that the domain of population involves a range of intrinsic, aggregate effects, phenomena that are irreducible to those of the family, such as epidemics, endemic levels of mortality, ascending spirals of labour and wealth; lastly, it shows that, through its shifts, customs, activities, etc., population has specific economic effects: statistics, by making it possible to quantify these specific phenomena of population, also shows that this specificity is irreducible to the dimension of the family." (Foucault, 1991, p. 99)

Population, then, is shown to have specific and observable regularities that are inherent to its nature and that will make the object of direct or indirect governmental action (in order to, for instance, influence birth rates, the inhabitation of regions, work placements, etc.). And the body of knowledge that facilitates the observation and manipulation of these parameters is the newly emergent social science called 'political economy'. The main remit and at the same time objective of this discipline is to render intelligible the various connections and relationships between population, territory, and wealth, in order to make them amenable to political action.

Thus, the introduction of the model of the economy into the political arena brought with it at least a three-fold transformation of political-economic thought and practice. For one, government is no longer concerned with merely observing and imposing the law within a territory; now, its main objective is to actively intervene in pursuant of various policy aims. Second, government has as its main target a population that is not understood simply in its negative form, that is, as the absence of depopulation, but as a complex and variable reality with particular regularities; at the same time, population is not seen as the aggregation of all the individuals inhabiting a particular space, but as a network of relationships between individuals and between individuals and things. Third, certain institutional and epistemological capacities are developed that allow government to intervene upon that dynamic reality – such as political economy; the manner in which it intervenes, though, is no longer based on disciplinary methods, but on 'technologies of security' (Foucault, 2009), which observe regularities, averages, frequencies, etc., and from which the empirically normal is derived and set as a benchmark. What is stressed here, then, is the importance of observing these statistics for public policy purposes.

2. The social question

Identifying a specific dynamic nature to the reality to be governed and elaborating the tools for grasping it statistically created specific opportunities for government. This is connected with a couple of other developments occurring at about the same time and having to do with ‘the social question’. For instance, with the rise of Enlightenment and the advent of industrialisation at the turn of the 18th century, the legal emancipation of the individual and the economic liberation of labour from the shackles of traditional society brought into the fore the issue of the organisation of a stable modern society on inherited foundations that are unfit for purpose. The main obstacle to this project proved to be the fact that the emergence of, effectively, modern liberalism was accompanied by mass pauperism, due in part to urbanisation and the withering away of the traditional systems of social provision such as family or charity support. In France of the 18th century, this issue has come to be known as ‘the social question’ and it essentially referred to the rise of mass poverty and the debates about the most appropriate way to overcome this massive problem (Procacci, 1993). Leaving the latter aside, one of the unintended consequences of approaching this issue was the actual development of social sciences as such and of the idea that society cannot be understood as the mere aggregation of the totality of individuals, but has to grasped and is to be known as having “autonomous conditions to its own development and an autonomous ability to resist changing, both impossible to curb by law or through the market” (Procacci, 2015, p. 554). In other words, society is characterised by specific and rather impersonal intrinsic qualities, processes, and regularities, which can and should be known through objective and actuarial investigation – a topic essential to later understandings of the social state.

These insights proved crucial not only to the reconceptualisation of the relationship between governing and the social, but also to the development of tools to influence that newly delineated reality. Among them, the new field of ‘sociology’ was particularly intriguing, dealing as it was with concepts like ‘solidarity’, ‘social fact’, ‘statistics’, and even ‘insurance’ (Donzelot, 1984). In fact, the latter proved very consequential, because it constituted the impetus for the subsequent conception and creation of the welfare state itself. For instance, one such milestone was represented by an obscure 1898 law insuring industrial workers against workplace accidents (Ewald, 1986). The 1898 law as a watershed in the establishment and consolidation of the French welfare state around the crucial category of ‘risk’. Until the adoption of the law of 9 April 1898, workplace accidents were governed by the idea that fault and, consequently, responsibility lied with an implicated person – either the employee or the employer. In order for the employee to request compensation for the injury, they would have to sue the company in order to recover damages, if fault could be proven (Cannarsa, 2002). Given that this process was prohibitively onerous for the average industrial worker, the code regulating it proved woefully inadequate in addressing the issue of workplace accidents in the rapidly industrialising France of the late 19^{th} century.

The 1898 law completely changed the rules of the game. Rather than viewing the need for compensation rooted in the employer's personal responsibility and the burden of proving that responsibility lying with the employee, the law stipulated that there is such a thing as 'workplace risk' that is independent of any human agency and that is inherent to the workplace itself. This was based precisely on the astounding regularity and predictability encountered in the historical succession of industrial injuries, which could have only meant that whenever anyone engages in any workplace task, one takes upon oneself a specific degree of natural 'professional risk'. The moral category of responsibility was thus unsurprisingly ill-suited to manage the issue and was rendered therefore obsolete. Compensation was now construed as a necessary cost to any industrial enterprise, which would thus have to be paid automatically in case an injury occurred, irrespective of the burden of proof. And that cost was immediately externalised to insurance companies, where the turnover of injury insurance ballooned sevenfold from 1895 to 1913 (Ruffat, 1998).

The welfare state, then, had at its origin the obscure 1898 law and at its centre a philosophy of objectification and monetisation of risk. By aggregating individuals and analysing past regularities of the group, future probable distributions of risk can be inferred. This risk can then be valued by weighing costs and benefits and discounted from a dedicated insurance fund. The story of the advent of the welfare state could very well be connected to the story of the emergence of the notion of risk, specifically social risk. This new category came thus to replace the old conception of personal and moral responsibility that still informed Marxist views of the workplace as a site of class struggle between workers and employers. Modern politics, in sum, had at its core the governmental technology of social risk and the odyssey of its optimal allocation. Looking at the welfare state through the conceptual lens of social risk as well as through the historical practice of social insurance can shed light on the origins and development of social policy in the Western world. As such, the traditional narrative of class antagonism can be de-emphasised and replaced by the stress on the importance of the notion of social risk and the practice of pricing it away through the means of social insurance. The advent of social insurance was therefore a harbinger of a fundamental change in the nature of the social contract, which developed gradually and is still present in the contemporary design of social policy. And as discussed, this created opportunities for governing, while at the same time acknowledging the limitation that social risk cannot be completely eliminated, though it can be priced away. This was a crucial factor because it effectively endowed the space of the social with particular inherent traits and dynamics that could not be simply brushed aside, but had to be reckoned with one way or another.

For the least, German and English experiences seem to vindicate this position. Before the French accidents law, the newly-founded German Empire found itself leading the way towards welfare by signing into law the Imperial Decree of 1881, which introduced national compulsory social insurance for sickness, accidents, old age, and invalidity (Kuhnle & Sander, 2012). In current settings, accident insurance is by and large one of the least important aspects of social insurance, but at the end of the 19th century it proved to be one of the most controversial and momentous policies adopted by Western states. Its contentious nature explains, among other things, also why it was firstly introduced in the context of the ‘enlightened despotism’ of Imperial Germany, and not in the liberal environment of the more industrialised and democratic England (Hennock, 2007). The fact that, at the time, the German Empire displayed higher relative – though not absolute – rates of industrialisation than England, coupled with the similarly significant aspect that it was undergoing a process of nation-building, Germany indeed spearheaded the introduction and consolidation of a compulsory, nation-wide system of social insurance, which was to be accessed not as a matter of merit, but as a matter of social right.

Before the introduction of social insurance, both England and what was then Prussia had a system in place for the relief of poverty and sickness, but it was delegated mostly to local authorities, especially parishes, given that poverty alleviation was seen as a Christian duty. With the consolidation of nation-states, a form of national legislation was introduced, but it still delegated the administration of poverty and sickness relief to local authorities. The Elizabethan Act for the Relief of the Poor (1601), for instance, put into place a national system of support for the unemployed, work-shy, destitute children, the disabled, and the infirm (Kuhnle & Sander, 2012). However, instead of creating a national authority to oversee the delivery of this primitive form of social policy, the system was to be administered by local parishes. Moreover, a clear distinction between the 'deserving' and 'undeserving' individual was to be upheld at all times, dismissing the idea of universal 'social right'.

The sea of change that was to occur during the 19th century in Prussia is also captured by linguistic innovations in the German language, particularly the importation of neologisms denoting processes taking place between the level of the state and of the civil society qua aggregation of individuals. The introduction of the word *sozial* (social) pointed to a dimension of collective existence that transcended the interests of atomistic individuals but was also different from that of political existence (Steinmetz, 1993). The social, in this understanding, was a phenomenon in itself, with specific traits and dynamics, independent of the will of individuals or the grasp of the state. A pejorative term, it was soon equated with another neologism, *Pauperismus*, borrowed from the English, and denoting a sort of mass poverty that was independent of the simple sum of the individual poor, thus unable to be pin-pointed to individual responsibility, but perceived more and more to be an expression of structural forces. The advance of industrialisation and urbanisation also coincided with the introduction of the term *Proletariat*, which shifted the emphasis from the poor as a consequence of the natural order of things to the 'precarious' as a consequence of socio-economic change. Associated with industrial workers, the proletariat further deepened the negative associations of this space between civil society and the state, adding a dimension of fear legitimised by comparison with the events of the French revolution. The issue of social dynamics increasingly teased out a distinction between 'reform' and 'revolution', with the German Empire striving to placate the fear of revolution and apply a specifically social type of reform. This dimension of collective existence, thus, was construed as being amenable not only to knowing, but also, more importantly, to action.

Social insurance, therefore, was not really meant to completely restructure socio-economic relations, but nor was it meant to preserve the status-quo. What it strove to achieve was to build, top-down, a universal and overarching system on the patchy and relatively unorganised foundation populated by private actors (parishes and philanthropic organisations), in the spirit of reform and improvement. The two pillars of social insurance were prevention and compensation. At first, companies subject to work-related risks set up their own subsidiaries dedicated to insurance, and thus had a financial incentive to minimise the costs incurred by these subsidiaries. However, it soon proved to be the case that prevention was in fact itself costly, and the threat of bankruptcy in case of a major industrial accident would strip the workers of the possibility to acquire compensation. That is why companies increasingly started to appeal to third parties in the commercial insurance industry, which happily gobbled up this emergent and law-induced business (Ruffat, 1998). That said, in Imperial Germany in particular, top-down regulation forced each trade to establish state-sanctioned mutual associations with compulsory membership, which would garner financial contribution from members in order to provide compensation on request. The advantage that these mutual associations had in Germany over commercial insurance companies was that they were funded as a pay-as-you-go system, which implied that they were not required to establish capital buffers, and were thus able to provide reduced costs for trade members. In England, by contrast, mutual indemnity associations, albeit widespread and preferred, only covered extremely heavy incidents and not run of the mill work accidents that plagued specific industries on a day to day basis (Steinmetz, 1993). In these circumstances, commercial insurance companies played a more important role, benefitting also from the liberal financial environment characterised by lack of regulation and indeed oversight. The commercial industry could thus expand and play a much larger role in the delivery of social policy objectives in England than in Imperial Germany.

Regardless of the origin of the actors that played a part in social insurance at the dawn of the welfare state, the thing to note is that this policy was similar throughout Western Europe and it expressed the same conceptual innovations and socio-economic concerns. The social – a space between the centralising power of the state and the diffusing character of the sum of atomised individuals – was a dimension of collective existence that had its own nature and dynamics. Mostly associated with social risks, it posed deep questions both for the individual but especially for the state, given that an unimpeded expansion could bring about existential challenges for the ruling elites and the organisation of state-individual relations. So instead of resorting to repression, which could backfire, Western polities decreed that a system of pricing away social risks through insurance and compensation could alleviate the ills accompanying increasing rates of industrialisation throughout the region and keep the societal order in place. The contemporary practice of social impact investment, while different in many respects, shares fundamentally the same conception when looking at the social arena as a space infused with pockets of social risk, which can be alleviated through pricing away, but cannot be essentially eradicated. Homelessness, unemployment, recidivism, illiteracy, poverty, etc. are all structural forces part and parcel of modern existence; the role of social policy, then and now, is to understand the dynamics affecting social ills and engage with third-party actors who would bear the financial costs of protecting against these social risks. That said, paradoxically, the first has to do with the preliminary steps towards constructing the welfare state, while the latter can and has been construed as having to do with the dismantling and privatisation of the same welfare state.

3. The politics of numbers

Establishing a link between political objectives and social realities led to a number of noteworthy developments that have shaped modern social policy. One is the role of 'expertise' and experts. Expertise comes to shape and normalise political subjects in such a way that their capacity for self-regulation becomes a crucial resource, and it allows for a form of governing 'at a distance' that becomes essential in modern liberal democracies (Latour, 1988). This is no matter of little importance, because the technical representations that expertise produces is of greater consequence that a mere arcane and isolated endeavour:

> “Knowing an object in such a way that it can be governed is more than a purely speculative activity: it requires the invention of procedures of notation, ways of collecting and presenting statistics, the transportation of these to centres where calculations and judgements can be made and so forth. It is through such procedures of inscription that the diverse domains of ‘governmentality’ are made up, that ‘objects’ such as the economy, the enterprise, the social field and the family are rendered in a particular conceptual form and made amenable to intervention and regulation.” (Miller & Rose, 1990, p. 5)

A specialised language, knowledge, or science is required in order for a specific slice of ‘reality’ to become governable. The emphasis on language implies that it is not only the case that a particular object has to be measured first, in order that it can be governed second, but also that it has to be rendered intelligible, thinkable, prior to be subjected to any form of action. This, again, can be done, in principle, through an unlimited array of conceptual instruments such as calculations, surveys, reports, white papers, and so forth.

The inscription techniques that follow the representation of a specific object are followed in their turn by the endeavour of operationalising political programmes based on them. The interesting argument here is that far from this being an issue of unaccountable and isolated technocracy (Fischer, 1990), it is really an instance of a specific socially permeating relationship that expertise yields. And that is because of the nature and dimensions of the expertise compound – “that complex amalgam of professionals, truth claims and technical procedures” (Miller & Rose, 1990, p. 8) – that creates the conditions for regulation and intervention. Technical expertise thus allows professionals to ‘govern at a distance’ also through the establishment of a “loose assemblage of agents and agencies into a functioning network” (Miller & Rose, 1990, p. 10). What binds together this network of experts and expertise and what confers it power and applicability is not necessarily a specific legal, institutional, or financial connection, but rather allied and shared interests, as well as, and even more importantly, a particular language or jargon. This alignment of goals and concerns is thus made possible by the development of common interpretations and vocabularies, which can, eventually, bind agents that are not bound to a specific physical space, but are spread across different localities and strata of society. This then allows them to think problems, pose questions, draw conclusions, and apply solutions from the same linguistic repertoire and with the same mind frame. Government departments, lobbyists, academia, businesses, workers, parents, etc. can thus retain their autonomy and separation, while participating in society within the confines of the same governmental programme. This is, thus, another iteration of the idea of 'governing at a distance'.

A second development is concerned with the issue of risk. Risk had already emerged as not inherently real, but as a particular probabilistic technique employed in understanding and approaching problems as well as building programmatic responses to perceived future risk (Burchell, Gordon, & Miller, 1991). In fact, liberal politics characterising modern industrial societies can be construed as having evolved around and being predicated on the notion of risk, producing an epochal rupture with pre-modern forms of social organisation. Risk is also connected with unprecedented technological and scientific change, and can be seen in fact more as an ideology rather than a concept employed to create solutions for mitigating the consequences of unmatched social and material transformations, while actually being utilised for masking the fact that these transformations are actually indomitable (Beck, 1992). Risk can also be conceptualised as being linked with an epistemological change in which "society is increasingly preoccupied with the future" (Giddens, 1999, p. 3). Society is thus no longer dominated by customary and predictable ways of being in the world, but by the preoccupation with unknown turns of events – or 'manufactured risks' – brought about by the shifting dynamics of industrial modernity. This, in turn, provides an impetus for societies to be constructed around the identification, measurement, and management of risk (Ekberg, 2007). Liberalism, in other words, has been characterised equally by calculable risk based on forecasting and probabilistic science, as by incalculable uncertainty epitomised by the ethic of hero-entrepreneurs who plunge into an unknown future that cannot be deduced through statistical methods based on past patterns.

Statistics and numbers have thus exerted a great deal of fascination within political circles, not least because of the capacity for accountability. Indeed, in the 19th century, suddenly, an avalanche of numbers can be observed throughout Europe issued by institutions such as the National Debt Office of the UK, the French Ministry of Justice, and the Prussian Statistical Bureau (Hacking, 1990). This practice mushroomed, as will be shown below, with the governance revolution of the late 1980s in the UK, which ushered in the new approach of New Public Management (NPM) techniques and the increasing reliance on Value for Money (VfM) studies and programmes (Power, 1999). Auditing has been especially powerful as a practice, and it has operated to "penetrate deep into the core of organisational operations, not just in terms of requiring energy and resources to conform to new reporting demands but in the creation over time of new mentalities, new incentives and perceptions of significance" (Power, 1999, p. 7). In short, even based on incipient science, the technologies of standards, benchmarks, and audits have proved crucial in moulding organisational structures and practices, and have contributed to advancing programmes of governing at a distance.

The dawn of the Western welfare state coincides, then, to a large degree, with the consolidation of statistical sciences as legitimate fields of inquiry. As it will be shown below, the reliance on quantitative evidential data is similarly important for the social investment market. And the legitimacy of this new form of knowledge can even be considered to be derivative of the emerging administrative apparatus at the centre of the state. Indeed, as mentioned above, 'statistics' itself denoted a 'science of the state', having as its core purpose the counting and classification of subjects. Of course, under one form or another, enumeration has been a constant feature of political communities throughout the world, at least for the purpose of military recruitment and, at times, taxation. But what was generally considered to be a matter of state secrecy, being kept away for the public eye, gradually started to be unveiled during the 19th century, while acquiring a new meaning and bearing on the administration of state power. Dominated in the 17th and 18th centuries by the philosophical question of human nature, as debated by the likes of Hobbes, Locke, and Rousseau, the question of the individual pointed, at the advent of the 19th century and in the eye of state bureaucracy, to 'normal people' as signifier of the subject of political exercise (Hacking, 1990). The notion of 'normalcy' was a crucial one. On the one hand, it implied that what was commonly referred to as universal laws of nature, in particular human nature, needed not apply any more. There were individuals that conformed to the norm, and there were individuals that deviated from the said norm.

On the other hand, the jettisoning of the notion of universality did not mean that a descend into chaos and indeterminacy was inevitable. For the concept of 'normalcy' brought with it its own sense of regularity: a 'normal individual' was identifiable and statistically significant. The law of averages came to replace strict causal connections that were the epistemological bases for approaching social realities. Now, large populations revealed law-like statistical regularities.

The first enumerations and classifications done for the purpose of government were precisely the ones that sanctioned deviancy: madness, disease, prostitution, pauperism, births, baptisms, deaths, etc. (Foucault, 1988, 1990, 1995). These statistics circumscribed, negatively, the boundaries of what came to be described as normal. By extrapolation, the data collected from industrial accidents came to be viewed in the same light, and a politics of large numbers appeared, which associated, as described above, the practice of insurance with intervention on statistically-backed social risk events. This politics of large numbers, moreover, was buttressed on new institutional forms that sought to address social risks by combining statistics with legislation. In Britain, for instance, ever since the beginning of the 19th century, there existed a close association between statistical knowledge and public administration. Even though the latter was mostly undertaken, before the first nation-wide legislation that signalled the advent of national welfare, at a local level, the fact that Britain had a strong public sphere composed of scientists, intellectuals, and university professors oriented towards practical knowledge meant that the production and diffusion of statistical knowledge – especially regarding poverty, public health, and unemployment – could take place unimpeded and could inform administrative decisions throughout the state (Desrosières, 2010).

Two branches constituted the foundation of public statistics in 19th century Britain: the Board of Trade (as part of the Ministry of Commerce), and the General Register Office (GRO). The former dealt with collecting economic data (trade statistics, imports, exports, etc.), while the latter dealt with social statistics, and was central to the administration of the Poor Laws (Szreter, 1991). The GRO came to replace the scattered system of civil registration in England and Wales, which relied on parishes recording births, marriages, and deaths, which became increasingly more inadequate due to rising non-conformism and tolerance of non-Anglican denominations. But the GRO was crucial in two aspects: first, it recorded more detailed statistics, such as percentages of deaths related to particular causes, and it did so attaching additional geographical data so as to locate areas of social risk; second, it compiled national averages, which became norms, and it calculated municipal deviations from those norms (Higgs, 2004). These two aspects combined had the consequence of transforming statistical data into indicators of municipal public policy, with localities that were straying too much from averages being forced to address the underlying issues giving rise to such negative results. For instance, a public health law from 1848 stipulated that municipalities that were surpassing the national average of 23 deaths per 1000 people had to set up health tables and undertake sanitary reforms (Desrosières, 2010). By tinkering with the statistics, these standards could be pushed even higher: say, by establishing the average death rate from the healthiest ten percent of municipalities as the ideal. The dialogue between scholars of statistics and public institutions in Britain thus transformed statistics into a science of the state and not merely an intellectual endeavour for its own sake. Through this avalanche of numbers, 'the social' thus became not only known, but also amenable to intervention in an informed and scientifically backed manner.

All in all, as this section shows, finance, in its trotting advance in the field of social policy, encountered a complex space characterised by an age-old struggle to perfect mechanisms for the quantitative grasp of social dynamics and risk, and utilise these tools and associated forms of knowledge in a logic of governing, according to specific policy goals and political ideologies. Of course, through various funding mechanisms and inevitably as the role of finance in society expanded throughout the years, finance and social policy have always been tied in one way or another. But social investment, through its stated aim of fashioning social programmes into opportunities for capital accumulation, including via the creation of financial assets in their own right, represents a higher order development. Regardless of that, the financialisation of this field could not be rendered successful through the mere application of financial forms of valuation, as these were not sufficiently malleable or indeed even applicable to the social policy arena. The social had its own dynamics and regularities, as evidenced by a century of attempts at its statistical apprehension, and the only kind of financial value that could be created here was the one occurring in the process of compensation or, in other words, in the pricing away of social risk through insurance. Financial forms of valuation had no bearing upon the social itself and upon the process of value creation within the social space. The latter was still the remit of state, and finance was on the sideline. Things are not the same when it comes to social impact investment. In order to understand what actually occurred as social investment emerged, the need to move on from assuming that financialisation equals the embrace of financial valuation is imperative.

4. A flank movement: Valuation as framework

In order to understand the underlying value infrastructure created as finance marches on in the social policy sector, a framework for analysis is required: in this case, the focus is on the valuation framework. During the past decade, the issue of valuation emerged anew as a topical subject-matter central to the understanding of the construction and functioning of markets of all sorts. Instead of representing simple economic facts, markets and money have been shown to mobilise a complex social structure that goes beyond the isolated spaces of the production site or the individual consumer, and this process involves, crucially, various systems of worth, evaluation, ranking, rating, etc. that constitute the plumbing of markets and are part and parcel of its dynamics (Kockelman, 2006; Maurer, 2006; Muniesa, 2007; Ortiz, 2005; Stark, 2011; Vatin, 2009). In 2011, calls have been issued for a renewed 'flank movement' in the study of valuation (Muniesa, 2011).

The intention was to build on the pragmatist theory of John Dewey (1913, 1918, 1939), whose original call for a 'flank movement' was issued almost a century before, as a better way to achieve a more refined understanding of the creation or construction of value, rather than to rely on the old subjective-objective binary or to accord too much primacy to one particular dimension of the valuation process, like models in the case of financial valuation. Dewey, alongside Charles Sanders Pierce and William James, is considered to be one of the founding fathers of pragmatism, a philosophical current that underlines that the intellect's main function is not to represent or describe reality, but to envisage and construct avenues for problem-solving through practical action (Biesta & Burbules, 2003). From a pragmatist perspective, most human dimensions, ranging from knowledge and science to language and ideology, are construed as instruments and prostheses devised with the purpose of ordering reality and rendering it navigable. The same is the case with value, where, instead of assuming that it is either something an object has or something that is bequeathed upon the object by the impression of some external actor, the study of value would benefit from an approach that looks at its construction-in-action. Indeed, when it comes to the subjective-objective understandings of value, Dewey's sentence is unambiguous:

> "The conclusion is not that value is subjective, but that it is practical. The situation in which judgement of value is required is not mental, much less fanciful. It is existential, but it exists as something whose good or value resides (first) in something to be attained in action and (secondly) whose value both as an idea and as existence depends upon judgement on what to do. Value is 'objective,' but it is such in an active or practical situation, not apart from it. To deny the possibility of such a view, is to reduce the objectivity of every tool and machine to the physical ingredients that compose it, and to treat a distinctive 'plow' character as merely subjective." (Dewey, 1915, p. 516)

Value as either subjective or objective is an empty category for analysis. Instead, it should be replaced with the notion of valuation, which emphasises the practicality of the notion of value, as something that is considered, conceived, and constructed in practice or in action. Looking at value(s) from this perspective has the advantage of providing a more encompassing grasp of their coming into being: "to say of something that it is 'done' subjectively or objectively is less mutually exclusive than to say that it 'is' subjective or objective" (Muniesa, 2011, p. 25). In other words, there is scope for the notion of 'subjectivity', but only in so far as it is understood as the action of an individual in the valuation process; similarly, there is scope for the notion of 'objectivity', but only in so far as it is understood as the result of a valuation process. With this caveat in mind, in the end the subjective-objective binary is irrelevant. What matters is the action or performance of valuation: how an entity is given or attains a certain type of value (Lamont, 2012). This does not (only) happen in the mind of an individual, nor is it (simply) inscribed in the commodity; it is done by practice and through experience, through dialogue and negotiation, consensus and contention about systems of reference, the establishment of legitimate judges, the inter-relational comparison between entities, etc.

The field of social impact investment is particularly amenable to constituting a case through which to respond to Dewey's call for a flank movement. Resting as it does on the notion of 'blended value', the market for social investment has had to go through a lengthy valuation process in order to fashion and delineate a new value form in the guise of blended value, and the manner in which this has been undertaken can be appropriately illuminated through the application of said valuation perspective. But so far, there have not been any attempts at providing a guiding map for investigating valuation processes. That said, the existing literature analysing processes of worth-attribution provides some hints at what the specific stages of the process of worth attribution could be. This thesis will attempt to tease out an original framework out of those scattered insights, and apply it on the case of the financialisation of the social policy field.

The framework could be summarised as such: the coming into being of a new value form seems to track a process of negotiation, selection, ordering, abstraction, standardisation, and institutionalisation. At the end of the tunnel is a new form of value that becomes amenable to be utilised in various other social processes as a legitimate and operational integrative factor. Dividing the valuation process thusly reveals both the stages which led to its creation and its constitutive components. The next part will attempt to discuss these stages based on the insights from which they were drawn.

Negotiation is a preliminary process that has to do with the very first deliberations regarding the new value form that is considered for conception. As such, it is a highly interactive process occurring among a number of parties and is characterised by discussion, contestation, feedback, and potentially contention and struggle. Take the transactional relations established as a result of the contact between people from the Pacific coast and Europeans: instead of conforming to Mauss's idea of 'the gift' as a general heuristic tool that would be applicable to and would elucidate non-European forms of exchange, the records of the Europeans' interactions with islanders point to the highly experimental nature of exchange on both sides (Thomas, 1991). The objects in which they traded – food, tools, weapons, artefacts – presented no self-emergent form of value for each side, and when specific values did crystallise, they proved to be short-lived, variable, and changing. Furthermore, upon the establishment of transactional relations, no one-way imposition of, for instance, European modes of valuation upon non-European ones occurred. Rather, what succeeded was re-contextualisation based on negotiation of various subjective rationalities. In establishing the value of things, especially when it comes to alien or novel objects, local practices and inter-subjective interactions at the level of the singular event were preliminary.

In another instance, the transactional relations established in Atlantic Africa at the end of the 20th century reveal the primacy of negotiation processes (Guyer, 2004). In this case, the emphasis is not only on individual and context-specific processes of valuation, but also on the personalities of the people involved in these acts of negotiation. Thus, the diversity of items that have functioned as currencies, registers, and scales are explained by the creativity and interaction of individuals involved in the quest for making 'marginal gains'. Monetary multiplicities functioned at the same time, with overlapping forms of currency ebbing and flowing as successful personalities engaged in practices to ensure margins. The ingeniousness and thrust of these individuals was manifested in the asymmetrical exchange they attempted to produce by employing different scales of value and equivalence for the same types of goods, as opposed to the universal scales of classical and neoclassical economics – labour or demand and supply. As soon as one individual's marginal gain successfully re-negotiated the contextuality a specific commodity, this would tip the exchange in favour of his scale and processes of inflationary pressure would soon follow, allowing for other competitive scales to emerge and challenge the dominance of the former. Thus the idea of a market economy buttressed on a uniform currency that generates equivalence between all goods could not be found in Atlantic Africa. Instead, various overlapping logics of negotiation and de-contextualisation together with re-contextualisation, driven by creative individuals endowed with interests and intelligence, emerged constantly to challenge entrenched practices and were effaced as soon as other, more potent agreements, appeared. Negotiation, in this case, was diverse and dynamic, and driven by specific actors with specific missions and intentions.

These examples illustrate how negotiation is constitutive of value. At the same time, it is only one first step in the construction and entrenchment of new value forms. The second step is selection. Selection is important because it ensues negotiation as the target where the new meaning negotiated will be applied. It draws particular boundaries as to where the new value form negotiated can or should be found or applied. As such, it relies on clarification, engagement, and commitment. Take the concept of 'earmarking' (Zelizer, 1997), which has been utilised to described how attributes became attached to specific objects without being part of their physicality, but remaining in place independent of the human actor that engaged with that particular object. 'Earmarking' is meant to capture the fact that objects are not uniform, as they may embody different types of values inscribed in their materiality, depending on the selection to which they were subjected. Money is a good example, because it is often perceived to be mostly homogeneous in its appearance and in its function as either means of exchange, unit of account, or store of value (Dodd, 1995; Ingham, 2004). But this ignores the more immediate social contexts in which money circulates and which bestow upon it diverse forms of significance that become inscribed in its materiality as part of a selection process. For instance, money in specific contexts can be 'earmarked' as either gift, charity, bribe, alimony, blackmail, or simply as a tip. In this case, the material inscription comes as an articulation of the transmitter's significance on the medium, depending on the target context which was selected. Money in circulation, then, already reflects in different contexts the conducts and intentions of the human agents that were behind its handling and are now at arm's length distance from it. This way, money assumes a specific selected value and becomes re-classified or re-qualified to function in particular social contexts, independent of human actors.

The creation of a particular form of value necessitates also a specific ordering of the actors' interaction involved in the process, which needs to be roughly replicated in all circumstances in which the same form of value is summoned in order for it to follow the particular behaviour ascribed in the actors' intention. This insight stems from some of the ethnographic observations of economic anthropology and is sometimes equated with the notion of 'regimes of value' (Çalışkan & Callon, 2009). The latter concept came to prominence with Marcel Mauss's reflections on alternative modes of commodity exchange in selected 'archaic societies' (1954). Drawing on various ethnographic studies, Mauss observed that in some isolated societies from the Pacific Northwest, Polynesia, and Melanesia the exchange of goods happens not through commodification or monetary intermediation, but through a particular practice of reciprocal exchange, especially mutual gift-giving. Potlatch was a case in point. What was so consequential about this fact was that it did not happen at an individual level, but at the level of the group, and the gift-giving form was not simply confined to the exchange of goods, but it pervaded other aspects of social life as well, providing the foundation for morality, politics, religion, and law. This observation led Mauss to conclude that at different points in history there were radically different social orderings existing in separate geographies, which determined the manner in which the worth of goods was assessed and the way in which they circulated in society. This idea was grounded in early to mid-20^{th} century French structuralism (Lévi-Strauss, 1949; Saussure, 1916) and in what has later been coined as 'embeddedness' (Granovetter, 1985; Polanyi, 1944), and it implied that a good receives its value based on the ordering of actors in which it is integrated and where it circulates; as soon as the good is extracted from that particular ordering and is integrated into an alternative regime, it receives a different order of value immanent to the alternative regime where the good subsequently circulates.

To some extent, the importance of the ordering process has also been confirmed by the acceptance of the variability and relativism of value while 'dis-embedding' the notion of commodity from a culturally specific regime of value and placing it into the limelight as a 'thing' that has a career (Appadurai, 1986). By the very fact that things are in a process of circulation, they can suffer changes in their status. Within the same system, a thing can move from being construed as a commodity to being construed as a gift relative to the manner in which it is subjected to a particular ordering. What matters is not the overarching regime of value, but the immediate circumstances in which things move. This implies that structuralist arguments about grand systems of exchange are not necessary for grasping the evolving nature of the value of objects; what counts is the minute processes and immediate networks through which things circulate and are delivered from one place to another, acquiring specific meanings as they go along.

At the same time, while ordering plays a great role in structuring the parameters that give birth to a specific form of value, this process is not sufficient:

> "Even if our own approach to things is conditioned necessarily by the view that things have no meanings apart from those that human transactions, attributions, and motivations endow them with, the anthropological problem is that this formal

> truth does not illuminate the concrete, historical circulation of things. For that we have to follow the things themselves, for their meanings are inscribed in their forms, their uses, their trajectories. It is only through the analysis of these trajectories that we can interpret the human transactions and calculations that enliven things. Thus, even though from a theoretical point of view human actors encode things with significance, from a methodological point of view it is the things-in-motion that illuminate their human and social context." (Appadurai, 1986, p. 5)

In other words, occurring in parallel is a process of abstraction that helps crystallise particular types of attributes to the new form of value. In a way, these ethnographic studies share with the subjective theory of value the premise that to some extent it is people that endow things with specific meanings and value – albeit diverse, shifting, and overlapping. There are valuation processes at the level of the producer, the intermediary, and the consumer, and the distinct fashion in which each category or each individual in each category engages with the good may change that process. That said, the idea that things have 'careers' (Appadurai, 1986) is meant to also go beyond that point. Human agency, reason, and creativity are crucial to understanding the determinants and intentions behind the pragmatics of valuation; but an analysis focused too much on the intention or outcome of the exchange skews it towards immateriality and throws the 'thing' itself into the background. Instead, valuation perspectives insist that things are not only endowed with value from human agents, but they also have specific materialities as a result of this process of abstraction that intervene with or contribute to the valuation processes (Myers, 2001). If more emphasis is put on circulation than exchange, then the material dimension of goods surfaces more eloquently. The latter does not determine valuation fully, but it does raise various limits and creates tendencies. Abstraction essentially aims to stamp the particular object or process with a particular value seal that should become independent of the agents producing the endowment and should became an integral dimension that moves alongside and as part of the objet or process.

Closely related to the process of abstraction is standardisation, the further stage in the valuation process that seeks to produce a systematisation of the various abstraction processes that might occur independently of one another and might create tensions and contradictions. Standardisation, together with the last stage of the worth-attribution process, institutionalisation, are, crucially, public acts that aim to make value transparent and accessible in order to dispel any obscurity and confusion that might arise in the previous processes and render the new value form valid and operational. This feature of the valuation process has been persuasively captured by the economics of conventions, which puts the issue of classification at the fore of the analysis, and looks at how 'conventions' regarding various aspects of goods function as third-party or externalised (public) signs that classify, hierarchise, or qualify things in order to 'objectify' value and imprint it on the objects for smoothing their circulation and exchange (Orléan, 1994). As mentioned above, it is quite similar to the abstraction process.

That said, what sets it apart is the imperative of publicity and accessibility so that any entity contesting the value could simply place it against the standards or conventions to judge whether or not it conforms. Furthermore, the economics of conventions points out that this is not just a process that occurs sporadically or in isolated events, but is indeed perceived to be foundational to any mercantile act. In this view, before any good can be exchanged in the market, a specific agreement or understanding must be struck that allows for the good to be assessed or qualified (Vatin, 2009). The good must be contextualised into a particular class, and the means or measures for independently assessing whether that good fits in into that particular goods must be readily available. The Walrasian model (Walras, 1874) misses precisely the fact that before the mechanics of supply and demand can be put into operation to determine the price of a good, a host of dimensions of that good must be established, qualified, valorised, and then inscribed onto it. In a sense, standards and standardisation can be construed as an overarching framework characterising the regulation and organisation of social life in modernity (Timmermans & Epstein, 2010). In the mercantile realm, this translates to various forms of, for instance, food standards, labour standards, safety standards, or standardised contracts. Standardised credit scores (Poon, 2009) and standardised assets (Carruthers & Stinchcombe, 1999), for instance, have been shown to be crucial in the provision of liquidity and the construction of markets in mortgages in the US.

These processes of standardisation have occurred through multiple channels, at different rates, and to various extents: in the company-scarce electrical industry it happened succinctly; the diverse chemical industry depended on corporate consolidation for standardisation to be pushed in; top-down processes of standardisation for materials, machinery, and parts were endemic around WWI; increasingly present international non-governmental organisations such as the World Bank, the International Monetary Fund, OECD, and OPEC, as well as international trade agreements such as EEA, ASEAN, and NAFTA (Timmermans & Epstein, 2010). The latter organisations are important to mention because they play a particularly strategic role in the entrenchment of particular values. For instance, the regulation that ensued the financial crises of the 1990s was based on standards of 'best practice' that were presented as international, but they in fact encapsulated values that were distinguishably related to the Anglo-American model of capitalism (Vestergaard, 2008). Furthermore, this is important for the last stage in the valuation process, namely institutionalisation. Institutionalisation, in this form, is not inherently necessary for the creation and spread of particular values, but one way or another it does occur, albeit at different levels of formality. Regardless, institutionalisation is essentially a political act of baptism that sanctions and legitimates the new value form. And when it happens via formal institutions and receives political support from governing parties or institutions held in high esteem, it is all the more potent.

By developing qualifications, classifications, metrics, and entrenching them into institutions, the interpersonal trust of primitive exchange is displaced by impersonal exchange via standardisation. As such, contra neoclassical views, things display themselves in the mercantile space not as 'naked', but as bearing the stamp of one or another certificate in their materiality, which attests to a specific measurable and already measured value, available for the scrutinising gaze of the end-user. Organic or fair-trade labels, Michelin restaurant guides, user-generated ratings, packaging and content information, etc. are just some examples of moral, aesthetic, or physical indications of value. Market price, in other words, does not emerge spontaneously and independently by the simple and straight-forward interaction between supply and demand, but is deeply tied to the vast metrological cosmos mobilised to 'put' things in their lawful place. Only afterwards, and constricted by these former parameters, do the forces of supply and demand stir the price into one way or another. The price is the ultimate indicator of economic value, but the mercantile universe cannot be reduced to its immediate ‘discovery’; rather, it has to be placed within the complex socio-technological environment that characterises the valuation processes at play prior to exchange.

Dewey’s flank movement thus points to valuation as a multifaceted operation that occurs as a dynamic process, in constant action and potential change, at various levels, including that of the originator, the exchange, the good itself, and the end-user. In other words, “value is then seen as the outcome of a process of social work and the result of a wide range of activities (from production and combination to circulation and assessment) that aim at making things valuable” (Helgesson & Muniesa, 2013, p. 6). Value is not, as the traditional subjective-objective binary framed it, intrinsic to the object or bestowed upon it by the rational and utility-maximising individual; nor does it simply get acquired due to a structural regime of value. It is rather, as economic anthropology and economic sociology show, the open-ended result of a process that involves a sequence of negotiation, selection, ordering, abstraction, standardisation, and institutionalisation (see Figure 3).

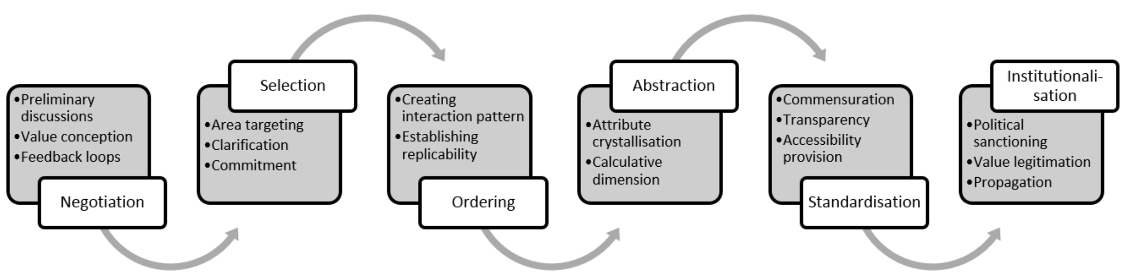


Figure 3. The valuation process

Bringing a new value form to life is thus a relatively labour-intensive project occurring in time and at various levels, involving different actors potentially coming from conflicting backgrounds, and, not least, making use of various material and cognitive tools in facilitating its aims. The interplay between these processes can shed light on grander processes that might be implicated in instances of conflict of values and might illuminate whether or not some are becoming dominant at the expense of others, or if instances of value plurality emerge or subside. By looking at, as mentioned previously, financialisation as a process in which financialised forms of valuation expand and engulf other, non-financial forms of valuation, one can assess whether or not particular dimensions of social life previously shielded from the operations of 'high finance' might show evidence of financialisation, might remain isolated, or might develop hybrid forms of valuation.

5. Conclusion

This chapter looked at the issue of worth attribution and the relevance of a shift to the valuation perspective with an eye to elucidate more clearly the relationship between financialisation and non-financial spaces. By leaving behind the entrenched dichotomy that viewed value as either intrinsic and absolute (classical political economy) or extrinsic and relative (neoclassical or Marginalist economics), as well as by jettisoning the one-sided view of financial theory, the perspective opened by Dewey's pragmatism allows for a reconceptualisation of value as the result of a complex act of worth attribution and re-attribution. This means that it is less relevant whether value is something that an object has, something that a person bequeaths upon it, or something that is simply 'discovered' through a model, rather it is more important to look at the actions through which value is constructed or experienced. In a sense, both financial valuation, narrowly understood, and valuation as presented here are pathways to price discovery. But the first assumes that the entity subjected to the valuation process is an inert object and there is no outside environment that might influence this process or that might be itself affected by it, whilst the latter is a more encompassing view that sees price as a result of a wider social process of worth attribution. This process is complex, time consuming, and labour intensive, but it has been surmised here that it generally follows a sequence of negotiation, selection, ordering, abstraction, standardisation, and institutionalisation. These elements should be seen as stages in the valuation process, and while they can overlap, they generally develop in a succession, with negotiation being the most preliminary and experimental step and institutionalisation the most entrenching and unequivocal one.

The move away from a static view of value also emphasises the importance of inputs not just from diverse actors, but also from non-human sources. Social studies of finance and economic sociology, for instance, have revealed how so-called socio-cognitive but also material prostheses are employed not only as adjuvants but as foundational elements in the estimation of value. From gadgets to theoretical models, these prostheses constitute entryways to the issue of the creation and consolidation of value, and to some extent they are more edifying in answering the value question that looking simply at the end-result. Furthermore, the stress on standards and institutions cannot be overstated, as these factors contribute overwhelmingly in fostering accessibility, transparency, publicity, and legitimation. A valuation perspective thus stresses how an intricate interplay of human agency, material instruments, and public formalisation contribute to fashion new value forms that can be integrated and utilised in societal processes.

This applies especially in the case of financialisation and social investment. In a narrow understanding, the simple observation that the field of social policy – traditionally the remit of a state's welfare policy – has been permeated by financial activity and has contributed to an increase in overall financial activity is not sufficient proof that we are dealing with a case of the financialisation of social policy. Rather, in order to assess that hypothesis, we must attend to the kind of valuation processes that are at work in and are brought about by the intercourse of finance and social policy. If we construe financialisation as the expansion of instruments, representations, and models belonging to the explicit knowledge of finance professionals – as financial valuation, narrowly understood, was described above – then we would expect the instruments, representations, and models at work in the field of social investment to be similarly imbued with the elements governing financial valuation. Employing the strategy outlined above and looking at the sequence of valuation processes occurring in the field of social investment and assessing if they are indeed dominated by such elements is what really explains whether financialisation was the engine behind the rise of social investment or whether we are really dealing with a process of a different and perhaps more complex nature.

At the same time, the other aspect that this chapter has emphasised is the taken-for-granted complexity of the social policy field stemming from its historical development. Instead of construing 'the social' as a worthy slice of reality in itself, with particular regularities and dynamics, the financialisation literature more often than not assumed that financial forms of valuation are adequate and thus simply apply upon this space in order to extract financial value. In fact, financialisation has embraced an intricate field that was already characterised, among others, by the creation of a particular linkage between political economy and 'the social'. In a sense, financialisation comes to inhabit a place opened up ever since the first bricks were laid in order to outline a solid social policy towards the end of the 19th century. This would not have been possible if not for, among other things, the interconnectedness between calculative tools, organisational networks, and 'trickle down' mechanisms, which were part and parcel of the liberal ethos of 'governing at a distance'. Similarly, putting these policies in place relied on the delineation and specification of a place called 'the social', which was, up until then, outside the boundaries of Western thought. But the way the social came to be construed was such that it was not simply a static object, it was rather a dynamic reality with specific regularities, norms, as well as variances and deviations. It is this feature that rendered it graspable through statistical means, and amenable to intervention and change. And the opportunities created by the concomitant delineation of a social space and the construction of tools and metrics for its apprehension extended beyond the conception and delivery of social policy. The latter allowed 'the social' to be integrated into a governing logic, but the links thus created also allowed for other actors to jump on the bandwagon. Financial actors are a case in point. Even though, for varying reasons, it took a considerable amount of time for them to advance in this field, they eventually did, and this created new opportunities for capital accumulation, especially crucial in an age of austerity, stagnation, and rock-bottom interest rates. But the manner in which financialisation occurs, and particularly in this field, is still a matter of contention. For the least, the worth attribution process, which reveals a great deal about the value dimensions that are at play and about the transformations that financialisation has wrought upon this field, has been ignored. The subsequent unpacking of the case of SIBs and of the valuation processes underpinning the rise of social investment, might just provide an answer to how financialisation advances in non-financial spaces.

Part II

Negotiation and selection: Social investment as source of social value creation

1. Introduction

This chapter starts off the investigation of the valuation processes at play by looking at the first steps made in the process of finance's advance in the social policy delivery field. The advent of social impact investment is not a necessity of history, but nor is it an outcome of complete contingency. Rather, impact investment, as a particular arrangement of social policy delivery, follows closely transformations occurring in the infrastructure of the public policy domain. As will be discussed below, these changes created opportunities for new practices and processes to emerge. Particularly, the lengthy, patchy, but gradual and seemingly implacable opening up of social policy design and delivery allowed the creation of new forms of interaction based on network-like features, which, in turn, contributed to new valuation processes predicated on negotiation and selection rather than administration or competition. These proved to be consequential for providing the groundwork for the construction of innovative financial instruments such as social impact bonds, especially, but not only, through endowing new actors with the power to have a say in matters of social value creation.

Social impact investment programmes are thus both a consequence and a symptom of changes that have happened in the realm of public administration, given that they dispose of a structure of policy design and delivery that is rather uncommon by the standards of a long-term perspective. This chapter then argues that, in order to understand the financialisation of social policy delivery, one should, as a first step, look at the infrastructure undergirding and guiding the interaction between the various actors present in this domain and the new prerogatives with which they were bestowed, especially, in this case, the capacity for the negotiation of the meaning of social value creation and the capacity for the selection of the targets where this new manner of 'doing social policy' will be applied. The literature on public administration (Hood, 1991; Flynn, 2001;

Hughes, 2003; S. Osborne, 2006, 2010) has long pointed out that there has been a discontinuity in the practice of administering public policy and that several succeeding frameworks can be identified: around the 1970s, the old hierarchical model was replaced by the new public management (NPM) model, which has increasingly been destabilised around the beginning of the new millennium, leading to the emergence of what some call the new public governance (NPG) model (S. Osborne, 2010). NPG relies on network-like mechanisms of structuring, with multiple inter-dependent actors collaborating within the delivery of public services, and multiple and heterogeneous processes informing the system of policy making. It is these mechanisms that are responsible for opening up the possibility for new valuation processes to occur and to set the basis for a new market in impact investments.

In light of this, this chapter will look at how these new valuation processes appeared in the field of social policy. It will do this by tracing the reforms undertaken upon the functioning of public administration and their outcomes, both generally and with a specific focus on the UK case, in order to highlight the opportunities created for various actors to participate in the design and delivery of policy programmes. Thus, first it looks at the wider context of public policy reforms since the late 1970s. Endemic economic turmoil and the increasing appeal of the ethos of the private sector produced, at that point in time, a break with the traditional understanding of the scope and means of public policy, which proved consequential for the manner in which governments pursued their policy objectives. Successive layers of reforms transformed, though they did not completely replace, the realm of policy design and delivery. Second, it shifts to the UK, one of the first countries to adopt far-reaching reforms, where the various governments that came to power, though driven by conflicting agendas, overhauled the system in the same direction of gradually opening up the public policy realm to more and more actors from the private and third sectors. The result – a network-like policy infrastructure – created opportunities for new valuation processes replacing the old ethos of the NPM model. Third, it looks into more detail at how these events translated into the first deliberations and initiatives for setting up a market in social investment, by looking at the task forces set up to foster its creation. Indeed, the groundwork for fostering the development of a social impact investment market in the UK was laid out by New Labour, as will be shown below, ever since the early 2000s. This was done against the backdrop of NPG reforms and by utilising the opportunities created by these innovations in the infrastructure governing the pursuit of social policy objectives. Specifically, this chapter will look at two trans-societal networks of actors, the Social Investment Task Force (SITF) and the Council on Social Action (CoSA), which were created with the aim of providing that broad-based platform of trans-sectorial collaboration nurtured by the NPG model.

The chapter finds that, through their work on envisaging a new approach to social value creation, these task forces engaged in a valuation process of negotiation and selection which proved consequential for the promotion of the impact investment market and for the creation of the world's first social impact bond. Even though they differed in their particular remits (and sometimes in their methods), SITF and CoSA overlapped and concurred both in the manner in which they negotiated the approach to this new form of value at the core of social impact investment – blended value – and in selecting the potential target for applying the novel approach in order to begin the process of delineating the field of impact investing – ex-offender rehabilitation.

2. Shunning administration at the turn of the millennium

Understanding the valuation infrastructure and the novelty present in the structure of the delivery of social or public services, of which social impact bonds constitute, arguably, a milestone innovation, warrants a historical contextualisation of public administration and its evolution over the past decades. While debates about the nature, limits, and most effective methods of delivering sound social policy are now part and parcel of the public and political spheres (white papers, brochures, and public consultations are only some examples of the 'publicity' surrounding public services), this was not necessarily the case in the past. As late as the 1950s, debates about public administration and reform in the field were confined to the realms of technicality and legality, without seeping out into the mass media or into the discussions pertaining to the higher echelons of political parties (Pollitt, 2011). This also implied that there was limited international circulation and penetration of ideas regarding effective public administration, with countries relying on their own indigenous bureaucrats in the quest of reforming the public sector. The valuation processes underpinning these practices thus remained opaque and dominated by hierarchical and particular state formations and agencies. That being said, behind the potential multitude of variations, it was possible to identify some convergence in the manner in which the public sector was organised and functioned across borders.

The centralised administration of social value

The social security practices that started appearing at the close of the 19th century and which consolidated in the first half of the 20th were accompanied by the putting into place of a vast administrative apparatus that would provide the infrastructure for efficiently delivering said practices. As the state began displacing voluntary and community provision of essential services, a vast bureaucracy for handling the newly-developed branch of government was fashioned. Differences across countries notwithstanding, this system achieved its apex around mid-century, when a highly centralised and hierarchical system was in charge of administering public services (S. Osborne, 2010). This phase, known as the 'classical' period in public administration (Torfing & Triantafillou, 2013), was characterised by the domination of the principles of legality ('rule of law'), impartiality, objectivity, and the authority of public service professionals in the delivery of social services. This bureaucratic system, eloquently described, *avant la lettre*, by Max Weber (1968), centralised the power of both designing public policy and delivering it into the hands of the public administration, which carried out decisions made by representative and democratically elected governments. Many dimensions of social existence came under the purview, regulation, and intervention of the centralised public administration, which ensured equality and impersonality in treatment.

The ethos of this system was epitomised by the post-WWII Beveridgean welfare state, which sought to provide a minimum degree of social standards across the board – 'from cradle to grave' – and which was to deliver and augment social value top-down and by a closely-knit structure of planners motivated solely by the urgency of public service and by the demands of public duty. These planners were themselves subordinated to the democratically elected rulers of the country and were following their general indications, although a strict dichotomy between politics and administration was observed in order to safeguard equality and objectivity (Pollitt, 2011). The separation from the turbulences of political mechanisms was complemented by the separation from the private sector, whose own dynamics could have constituted a trigger for social intervention, instead of a safety net. Funding this system was to be done through universal and individual contributions, to be drawn upon in each particular case of social turmoil. Were contributions not large enough to cover particular needs at particular times, the state would step in and top it up through its own mechanisms for funding. These, in a nutshell, were the traits towards which many Western countries were converging around the middle of the 20th century: hierarchy, rationality, objectivity, centralisation, equality, universality, and rule of law.

The massive bill that this system incurred for the state was but one reason for it being supplanted by other forms of public administration (S. Osborne, 2006). That said, there was no demise *per se*, with classical variants of public administration lingering on and even thriving in particular layers of public management, while, of course, in different countries change occurred to various extents and in various forms. That said, a proclivity for change and a new discourse on public administration was noticeable from the late 1970s onwards. The hitherto accepted practice of isolation of centralised administration from the private sphere no longer held sway in public debates. The centralised system of bureaucratic rule was thought to be at the same time too onerous and costly to be effective, and too insensitive and unable to envelop all the sprawling needs of an increasing population with a longer life expectancy (Considine, 2001). Overreaching and becoming overwhelmed, the classical form of public administration was perceived to be in dire need of fundamental reform in order to face the challenges posed by the environment of the 1980s, which included the consequences of the two oil shocks, the advent of monetarism, and neo-liberal ideas more generally.

The value added of competition

One of the preferred avenues for achieving this was to make government more efficient, not by optimising its operations and preserving its basic mechanisms, but by revamping it more profoundly and making it work more like business and more 'through' business. This new approach was captured in the transition from classical public 'administration' to new public 'management' (NPM) and in the move to an entrepreneurial government that was observable at the international level as both converging and inevitable (D. Osborne & Gaebler, 1992). While elements from the classical form of public administration still persisted in different corners of social policy delivery in various countries, a move towards an ethos informed by the private sector was observable, being stimulated also by the increasing public attention that NPM was receiving in academia but also in international organisations such as the OECD.

NPM mainly relied on three interconnected principles: disaggregation (the splitting up of centralised and hierarchical structures into semi-autonomous and horizontal entities), incentivisation (tying financial rewards with specific performance targets), and – the main force, after all, of liberalism – competition (the introduction of the distinction between purchaser and provider, in order to allow choice and competition in the provision of services, together with further competition for the allocation of resources, instead of simple centralised decision-making processes) (Dunleavy, Margetts, Bastow, & Tinkler, 2006). These three principles were thought to be quintessential to the efficiency witnessed in the private sector, and their application to matters of public policy was believed to bring about comparable levels of success in the pursuit of policy objectives. Introducing market-type mechanisms into the heart of public administration would benefit, it was thought, the three pillars of public policy: the administrators, by leaning out and optimising the organisation, whilst focusing on performance and the measurement of outputs; the service itself, by privatising the hitherto impersonal and clunky offices in charge of delivery, relying on contractual relationships with private entities competing with each other in providing the most efficient services instead of hierarchical internal relations; and the target population, which would now benefit from quality control and service improvements as a customer or a client, instead of the traditional beneficiary of classical public administration.

Through practices such as privatisation and contracting out, NPM changed the relationship between the public and the private sectors (Klijn, 2012). Instead of command and control, guidance and horizontality (via competition) became the norm. Paraphrasing two American authors who wrote a bestseller on public management reform that propelled them to the advisory office of the vice-president of the US, the new predicament is as follows: instead of ‘rowing’ (setting out to achieve the goals themselves), governments should be in charge of ‘steering’ (only setting the goals) (D. Osborne & Gaebler, 1992). The idea of becoming more business-like as well as the practice of relying more on business rendered the central administration more concerned with the nitty-gritty of specifying and outlining goals, as well as monitoring and surveilling the tendered service delivery. Having the ability to assess the performance of the contractor in accordance with goals is crucial to making sure that policy standards are observed and achieved. Furthermore, focusing on cost management throughout the entire process ensures that outputs are maximised at all times and specific output-quality standards are respected.

Thus, the imperative of efficiency that was at the core of NPM was to be achieved essentially by the mechanism of accountability to market forces, which bring about choice and competition for the satisfaction of customers' needs. Social value creation was best serviced, as any microeconomic primer might predict, by the invisible hand of markets. The valuation processes here, thus, were not dominated by centralised administration as in the previous model, but neither were they available or accessible to any concerned stakeholder; they were rather characterised by antagonism and competition as the source of value creation.

This model reached its apex in the 1990s, when its perceived international reach resulted in the establishment of the Public Management Committee and Secretariat within the OECD. That said, the reputation it accumulated at an international level brought along a significant degree of controversy and criticism, not least on grounds of cultural specificity and unfitness. Indeed, it was believed that NPM could never truly work in countries like France, Germany, and the southern Mediterranean states, while in the European Commission it was not uncommon to overhear notions pertaining to NPM being referred to as 'Anglo-Saxon ideas' (Pollitt, 2011). But even in the countries where it originated and where it developed more solid and pervasive roots (the US, the UK, Australia, New Zealand, etc.), it came under increasing fire from critics who argued that it had not delivered on its promises or even that the extent of its efficiency or, for that matter, application was grossly exaggerated (Barraket, Keast, & Furneaux, 2015). These criticisms added up to paint a more complex picture of the reform of public administration, with elements from the older organisational structure and the newer one coexisting and being applied to several degrees in different countries. NPM thus did not (completely) replace classical public administration, as it, in its turn, was not completely replaced by the reforms occurring at the end of the millennium.

Indeed, albeit gradual and sectorially limited, the reforms that came under the umbrella programme of NPM slowly revealed the limitations that were inherent to an antagonistic understanding of public policy delivery. By making a distinction between purchaser and provider and by introducing fragmentation at the core of public administration and competition on the delivery side, NPM proponents destabilised and excluded the potential collaborative nature of the processes undertaken in the sector (Milward & Provan, 2003). This was inevitably noticed by reform-minded individuals in the 1990s, when a rich scholarship surrounding the idea of a 'network society' made headway in the public sphere and provided the inspiration for overcoming the shortcomings of NPM (Castells, 2009). The network as a framework was particularly appealing for solving the problem of essential antagonism, given, among other things, the emphasis on trans-sectoral cooperation that was implicated in the notion. Networks as governance models were said to have the property of bridging the fragmentation and separation ushered in by NPM, as well as allowing for more profound and fruitful inter-personal relations rather than contractual or, as in the case of Weberian models, hierarchical and objective interactions. While NPM and the marketisation implied by the idea of the entrepreneurial government unshackled public policy from the clutches of the state and opened it up to the private sector and its inherent dynamics, what ensued from adopting the insights brought about by the idea of the network society was the extension beyond the public-private dichotomy and the incorporation of actors from the third sector, as quintessential parts of the valuation process undergirding social value creation (Barraket et al., 2015). In fact, the observations crystallised in the idea of the network society seemed already to be confirmed by transformations in the realm of public policy delivery.

The move to networks and inclusiveness

As in the case with previous public sector shake-ups, the move to New Public Governance (NPG) was by no means absolute and existing patterns lingered on to some extent: there was no clear-cut, linear progression from classical public administration to NPM to NPG. Previous models intermeshed with newer iterations, and no one single model can do justice to the contemporary diversity of avenues for experimentation in the pursuit of public policy objectives (Pollitt, 2011). But while narratives of dominance and inevitability are unwarranted, NPG can be witnessed, in the present, in various sectors of social policy, including the field of social impact investment, as will be explained below.

An analysis of these implications is thus warranted, given that it constitutes the contemporary backbone of the functioning of social investment as well as the beacon guiding actor interaction in the field.

One of the shortcomings of previous frameworks of public administration was that they considered the target population of public policy as a passive and inert recipient. Granted, within NPM there was a move towards construing the beneficiary of policy as a customer and not a simple receiver. But the stress in this case was more on competitive tendering, thus providing a more efficient and diverse supply of programmes for social value creation, without really implicating the recipients into the process and being somewhat independent from their particular circumstances (Torfing & Triantafillou, 2013). While it drew on neoclassical economics, NPM policies, paradoxically, did not take seriously enough Hayek's views on the privileged epistemological position of individuals in matters that are of their concern (Hayek, 1945). Proponents of NPG, on the other hand, sought not only to provide choice in public policy delivery, but also a voice therein for stakeholders. By adding the third sector, or indeed any stakeholder that might be implicated in a particular process, this new model brought about a flurry of new inputs in public policy delivery. Active participation of concerned parties, as well as interaction and cooperation between all the entities involved, constitute the essential vectors of this new framework. Policy design and delivery were thought to have the potential of being greatly improved by the inputs provided by stakeholders, who are believed to be in the best position to opine upon their needs and their thoughts regarding the best ways of fulfilling those needs, and are indeed expected to chime in with ideas and any other relevant resources (Torfing & Triantafillou, 2013). The augmentation of social value, in this case, is best brought about by a valuation process resting on a quasi-democratic form of negotiation between implicated parties on the meaning of social value in its particular context, together with the resolution of that negotiation through the selection of targets and channels for bringing that about. Policy issues, thus, are now approached within wide and horizontal networks of actors, and not through hierarchical control centres or separate silos working in competition.

There are two main implications in the transition towards networked governance: one concerns the policy process itself and is most eloquently captured by the idea of co-production, the other one concerns the issue of policy objectives and the role of public administration, and this is what has been described as meta-governance. These two implications parallel the distinction that Osborne (2010) made between the pluralist and the plural natures of the state as construed by the proponents of NPG: a pluralist state is one where multiple interdependent actors are implicated in policy delivery, while a plural state is one where multiple policymaking processes are present along the political-administrative spectrum. This double pluralism has been observed and evidenced throughout most OECD countries, with policymaking being increasingly informed by the trans-sectorial and expanded arena of public, private, and tertiary actors (OECD, 2011).

The notion of co-production has been receiving a lot of traction of late, being increasingly seen as the cornerstone or the gold standard of contemporary public policy reform (S. Osborne, Radnor, & Strokosch, 2016). While a univocal definition of co-production is still lacking, the common denominator seems to be the involvement of the public service user in any or all stages of design, delivery, or evaluation of public services. This involvement has two main purposes: on the one hand, it is meant to empower users and to elevate them from passive bearers of legal rights to active and equal collaborators in the production and pursuit of public policy objectives. In theory, empowering users has the benefits of enhancing the democratic legitimacy of the co-produced policies, of increasing the accountability and transparency of public service, and of fostering a sense of participation in citizenship. The latter involves the addition of and stress on the idea of obligation that comes, alongside the idea of rights, part and parcel with the notion of active citizenship[3]. On the other hand, user involvement has the purpose of increasing the efficiency and scope of policy by utilising stakeholder knowledge, ideas, and resources. NPG retains from the individualism of neoclassical economics the idea that the individual is the ultimate bearer of the knowledge of what works best in his or her case, and the

[3] Ultimately, as described above, co-production is also part of the governmental agenda of what Foucault (1991) called ‘self-government’: an art of governing that regulates the conduct of conduct; that is, it operates by requiring and motivating individuals to exercise the individual freedom guaranteed by liberalism in such a way that they align it with political objectives, without losing the sense of autonomous volition.

network created by the aggregation and interaction of all this dispersed information is the best structure on which to build efficient public policy. Indeed, in the end, the main implication of co-production as one of the pillars of NPG is the pursuit of creating supply networks that increase the success rate of public policy administration by bundling up and bringing together all the potential resources of stakeholders at the disposal of public policy, who negotiate and select matters and targets of social value creation (Pestoff, 2012). Thus, a host of actors, coupled with their multifaceted inputs, combine, in a horizontal manner, to create supply chains for the production of a more bespoke and optimised policy.

The second implication brought about by the emergence, alongside older forms of public policy design and delivery, of NPG is the move away from older forms of governing – whether command and control or simply contractual and directional – to meta-governance. Meta-governance implies that the role of elected politicians, which hitherto was either deep and all-pervasive, as in the case of the classical form of public administration, or concerned only with design and goal specification, as in NPM, is now limited to providing the infrastructure or platform where interaction – in this case, negotiation and selection – would take place and setting up very basic and minimal constraints and rules for the grander scheme of policymaking (Klijn, 2012). Besides this, meta-governors have to open up, to a great extent, their authority and share it with all the actors who pool their resources together in the decision-making process. Through meta-governance, NPG facilitates coordination and collaborations, fosters interactive decision-making, and supports more complex and multidimensional policymaking. In this, it relies on a host of new technologies for enhancing conflict mediation and problem-solving capacities. For instance, NPG is characterised by an immanent dynamic given by a host of feedback mechanisms that it puts into place and that mitigate the valuation processes occurring here, among which recurrent negotiation and re-evaluation are the most easily noticeable. The assumption in this case is that stakeholders are in the best position to assess their needs and wants, but that this knowledge itself is bounded and is in fact a form of ‘working knowledge’. In other words, it relies a great deal on guesswork and reassessment, which means that should circumstances change, knowledge changes too, requiring signalling and re-purposing of policy on the go. This pragmatism is thus crucial to the hybrid nature of NPG as negotiated enterprise. While still controversial (Pollitt, 2011), NPG does crystallise a set of novel principles of public administration which constitute, as it will be argued below, the groundwork for the rise of social impact investment.

Classical public administration, NPM, and NPG constitute, therefore, ideal-types that do not necessarily exclude each other in practice. Though they are based on different understandings of the role of the public, private, and third sectors as well as on different institutional arrangements, in the present they co-exist and it would constitute a distorted image to focus merely on one as exhaustively descriptive of the public policy context in a particular country in the contemporary world. However, NPG brought many innovations to the design and delivery of social policy, not least by opening up the black box of government to other actors and valuation processes in society at large. Particularly, there was a noticeable move in the stress on the dominating valuation process from the initial hierarchical and centralised administration of public policy in its classical form, to the competition and antagonism occurring horizontally between service deliverers introduced with the NPM reforms, to, finally, the networked, open, and collaborative forms of interaction characterising NPG. This constituted not so much an institutional straitjacket, but it did command that same power by representing the state-of-the-art vision of public policy delivery and the gold standard of its implementation. The next section fleshes out these implications by focusing more closely on the UK case.

3. Embracing networks in the UK

Whether public policy reform in the UK followed global trends or whether it was the reverse, one thing is beyond doubt: the transformations described in the above section coincide to a great degree with the historical unfolding of the public policy domain in the UK. Thus, in broad lines, UK public sector reform can be seen as trailing the following stages: a pre-1979 classical period of bureaucratic, hierarchical, centralised public administration operating on a mostly command and control basis; the coming to power of the Conservative Thatcherite government in 1979, which heralded the abandonment of the embedded liberalism of the Keynesian era together with its macro-economic policies of stabilisation and of safety net provision, and which saw the advent of NPM policies of marketisation alongside the maintenance of some classical forms of public provision of social services but also the dismantling and privatisations of others; the transition to the Labour government in 1997, which, albeit more receptive to the idea of a vigorous public sector, mostly maintained the NPM reforms initiated by the previous government and even intensified some aspects of it, but which also saw the addition of a ‘modernisation’ programme which aimed to introduce dimensions of networked governance, that is, NPG reforms, including, as will be argued below, social investment and social impact bonds; finally, the coming to power of the Conservative-Liberal Democrat coalition in 2010, which deepened the NPG agenda amidst the announcement of the inception of an age of austerity in public finances (Castles et al., 2012).

The UK thus epitomises, if not takes lead in, the gradual appearance and introduction of public sector reforms together with new social valuation processes, of which the social impact bond launched at Peterborough in 2010 was both long in the coming and truly innovative. That social impact bonds, together with social impact investment more generally, started making headway at the time that NPG reforms were launched throughout the world should not come as a surprise. As it will be argued later on, the social value that SIBs aim to create requires the sort of horizontal, networked, and trans-sectorial arrangements that NPG reforms made conceivable and practicable.

Conservatives bring competition

The first set of major reforms that the UK saw in the way in which its public administration operated were those introduced in the 1980s. The 1979 election brought to power a Conservative government with an agenda to stop rampant inflation and thwart the rising power of trade unions in the country. In pursuing its vision of repairing and growing the ailing UK economy, the Conservatives envisaged a decreased and revamped role for the state in society, one in which government would operate more like business. That said, the eventual adoption of NPM reforms at the core of government does not mean to say that the Conservatives had a managerialist ambition from the very outset. It was their insistence on the supremacy of the private sector, together with the confidence ensuing from the two election successes of 1983 and 1987, that emboldened them to increasingly venture into more experimental policies on the functioning of the central state. With the benefit of hindsight, it appears that these policies of introducing market-like mechanisms into state functions rested on four pillars: maintenance, modernisation, marketisation, and minimisation (Martin, 2010).

The first pillar refers to the maintenance of controls on public spending and the reduction of the proportion of public spending relative to GDP. This generally took the form of the reduction in civil service numbers and the decrease in grants to local councils, but also in measures to increase the turnover of policies at the governmental level. This was related to modernisation (the second pillar), namely, the attempt to render decision-making more similar to the corporate world. For this, a twin system of reporting and surveillance was put into place: first, managers were introduced at more and more levels in the administration, and were required to set explicit performance targets and report their success therein; second, institutions dedicated to auditing were established, like the Financial Management Initiative (1982), the Audit Commission (1982), and the National Audit Office (1983). Performance indicators began sprouting at all levels of the public service.

The last two pillars were the most radical. On the one hand, marketisation sought to introduce competition in the provision of public services, by adopting the principle of the purchaser – provider division in, for instance, health care, community, and education. This required, for instance, local councils to compete with the private sector for contracts, by submitting a lower bid and generating a specific level of return on capital. On the other hand, minimisation saw the 'return' of specific public services to the private sector, mostly through large-scale privatisations and the transferral of public servants to private enterprises: for instance, the privatisation of British Telecom (1984), British Gas (1986), British Airports Authority (1987), and other national giants led to the 'privatisation' of 800,000 public sector employees (Pollitt, 2011). All in all, the result of the 18 years of Conservative rule resulted in the adopting of some typically NPM measures, mostly by the handing over of swathes of the public sector to the private one, or of making the remaining administration follow more closely the laws of business, which would become the main source of adding social value in society.

New Labour adds networks

Installed in 1997, the New Labour government of Tony Blair ushered in a new era of networked governance, by adopting many of the aspects of NPG described above. Of course, some of the NPM reforms introduced by the outgoing Conservative cabinet remained in place, others – especially those pertaining to the field of performance reporting and surveillance – were intensified, while others still were rolled back: for example, controls on public spending at the local level (Laffin, 2016). But what New Labour brought was a fundamental reconceptualisation of inter-societal relations: instead of aiming to essentially transform the public sector into a private actor for the public good, as the Conservatives did, New Labour sought to foster the force of the private sector itself and employ it for the public good through cooperation with the public sector and horizontal partnerships. Their vision of the most efficient socio-economic organisation for the UK at the end of the millennium – the third way – had a direct impact on their understanding of the role of public services and the partnership between public and private (Giddens 1998).

Thus, in between the release of the *White Paper on Modernising Government* (PM and Cabinet Office, 1999) and the coming to power of the coalition government in 2010, New Labour put great emphasis on fostering partnerships on a horizontal-networked basis between local councils, central government, and the private sector. This required the introduction of a degree of decentralisation, concomitant with the joining-up of dispersed silos into long-term partnerships. Local councils, in New Labour's view, became key to the delivery of public services. In contrast to the Conservatives, New Labour did not seek to limit the function of local government to that of outsource and surveillance of performance. But nor did it seek to simply expand, unreformed, the emasculated powers that it possessed. The government envisioned a completely revamped role for councils, one in which it was not necessarily their function to provide local services, but to oversee and coordinate delivery across public, private, and third sectors, and essentially act as mediators between negotiating cross-sectoral partners. As the prime minister argued: "it is in partnership with others – public agencies, private companies, community groups, and voluntary organisations – that local government's future lies" (Blair, 1998).

Local councils would provide the impetus, leadership, and infrastructure for entering into deep and comprehensive relationship with cross-societal actors. Thus, institutional novelties, built on network-like structures, were set into place: the 'Local Strategic Partnerships', for instance, were created as platform for meetings of public, private, third sector, and community representatives to formulate long-term (five to ten years) plans called 'Sustainable Community Strategies' (Martin, 2010). These Partnerships were truly innovative, requiring hitherto disparate and antagonistic entities to coordinate and cooperate on matters of interest set by common initiative. But the networked community partnership model spanned other parts of the public sector as well. Indeed, as it will be argued below, SIBs constitute an offspring of the establishment of this form of NPG reforms, which contribute to the creation of the novel valuation framework on which blended value is predicated.

The Coalition embraces NPG

Lastly, the 2010-2015 coalition government, whose ideological underpinnings will form the topic of discussion later on, came to government with an agenda of anti-statism, decentralisation, and the ‘return’ of initiative and power to local communities and individuals. This was to be achieved through fostering the ‘Big Society’, a sort of a trans-societal community of atomised individuals, local communities, private businesses, non-governmental organisations, or indeed any non-state stakeholder, as opposed to a perceived overbearing, inefficient, and impersonal ‘Big Government’. Though explicit talk of Big Society gradually faded away, the ideological undercurrents held up, particularly in the nurturing of institutional foundations designed for NPG-type reforms. That said, the self-proclaimed break with the previous Labour agenda was less radical that announced, with many of the novelties introduced in the operations of the public administration by the Conservative-Liberal Democrat government actually taking to fruition initiatives put into place beforehand by the previous cabinet. The fostering of a social impact investment market, together with the launch of the first social impact bond, are precisely such examples.

The succession of reforms wrought on the public sector in the UK by the governments that came to power after the break of the late 70s brought about a transformation in the traditional manner in which public policy was pursued in the country and a move towards a novel type of governance structure opening up possibilities for new valuation processes. But the chain of reforms did not completely overhaul the operation of government. Instead, they restructured some parts of it or added new layers that would be expanded or re-organised by the government that inherited the cabinet.

That said, one of the most consequential and durable renovations was the re-calibration of the relationship between the public, private, and third sectors. While this did not completely change the customary function of service delivery, and some forms of command and control administration together with NPM policies held up, it did produce a watershed transformation in the ideational as well as material infrastructure that guided and organised the approach to social issues. By opening up the design and delivery of public policy to as many stakeholders as possible, by bringing the former closer to the target population and the community to which they belong, by relying on horizontal-networked decision-making, dynamic reporting, and constant feedback – essentially, a reiterating process of negotiation and selection – NPG reforms allowed public policy to yield innovative avenues for pursuing societal objectives and creating social value, impact investment programmes being a case in point.

4. New Labour, new networks

The establishment of the first Social Impact Bond (SIB) at Peterborough Prison in 2010 was made possible by the involvement of a myriad of actors and institutions, that essentially engaged in a process of negotiation of the meaning of social value creation and selection of the target of application, over a longer-term process than is usually acknowledged, with their coming together in a contractual relationship that was described as 'complex' at the very least (MoJ, 2011). Even though the effective launch of the first SIB occurred after the coming into power of the coalition government in May 2010, talks about creating new means for funding social policy objectives go back at least a decade. One of the reasons why the new government did not jettison the project altogether, as will be seen below, was because it seamlessly suited the ideological tenets of The Big Society agenda.

The Big Society agenda is indeed crucial for understanding the institutional and ideological grounding for SIBs as well as what explains their popularity, but the break with the traditional manner in which the public sector operates was less radical than it might have appeared. Because the history of this aspect was to some extent neglected, a great deal of the academic scholarship writing on SIBs denounced them as opportunistic transformations of the public sector under the pretext of living in an age of restrictive austerity (Cameron's 'Age of Austerity' being the most blatant example), or symptoms of the transmogrification of capitalism itself and the implacable consolidation of neoliberal interests (see, for instance, Joy & Shields, 2013; McHugh et al., 2013; Dowling & Harvie, 2014). However, that perspective fails to notice at least two aspects: first, that talks about alternative finance for social projects in the UK and novel valuation processes accompanying them have a longer history, and second, that not all countries that adopted SIBs enthusiastically did so under the pretext of living in an ineluctable age of austerity: Australia, for instance, did not experience the same economic turmoil during the crisis and subsequent structural deficit as did the US or the UK, but it has launched SIBs even before the first performance report came out in 2014 (Nicholls & Tomkinson, 2015). In other words, SIBs were indeed an innovative financial instrument, but what was not novel in this whole equation was the valuation infrastructure governing a particular corner of social policy delivery in the UK (and indeed elsewhere), which had already set the scene for the particular manner in which actors interact in their pursuit of policy objectives – the only thing missing were the actors themselves who were supposed to populate said infrastructure and engage in the processes specific to the new valuation infrastructure.

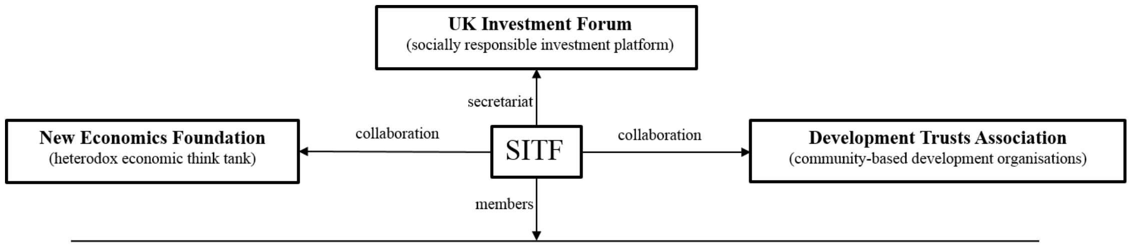
In that regard, there are two distinct platforms that were set up with the explicit intent of fostering a social investment market (that ultimately led to the launch of the Peterborough Prison Social Impact Bond), which required the envisaging of a new value form that would cater to this field appropriately. Both of them were created by the then Labour governments in power. The first one, established under Prime Minister Tony Blair, was The Social Investment Task Force, with a lifespan of 10 years, from 2000 until right before the general election of 2010. The second one, created in late 2007 under the auspices of Prime Minister Gordon Brown, had a two-year mandate and was called The Council on Social Action. Both of them played a crucial role in the creation of a forum of discussion, networking, and, not least, development of the institutional and legal structure necessary for the founding of a social investment market in the UK, and that subsequently provided the model for the adoption of SIBs around the world. Bringing together senior policymakers and actors from both the philanthropic and business sectors at the request of the ruling party proved to be a powerful impetus for achieving social policy goals with material and institutional consequences that are essential to the understanding of the advance of finance in the field of social policy delivery.

1. The Social Investment Task Force negotiates

The Social Investment Task Force (SITF) was announced by the Chancellor of the Exchequer in February 2000, and had the following remit:

> “To set out how entrepreneurial practices can be applied to obtain higher social and financial returns from social investment, to harness new talents and skills to address economic regeneration and to unleash new sources of private and institutional investment. In addition, the Task Force should explore innovative roles that the voluntary sector, businesses and Government could play as partners in this area.” (SITF, 2000)

While the SITF did acknowledge later on that Socially Responsible Investment (SRI) funds had emerged at the time the first report came out in 2000 (SITF, 2010), its mission was in many ways quite innovative. As opposed to SRI, which operates mainly by utilising negative screening in order to eschew investment in harmful sectors (for instance, tobacco, weapons, or fossil fuel production) and encouraging shareholder activism to prevent unethical behaviour by companies, the SITF’s mandate involved developing avenues of blending financial with social returns in such a manner that it not only avoids investment in pernicious sectors but it specifically funds projects which have a social return or impact as the primary and active goal of the projects. In other words, SITF had to negotiate a new value form – blended value – that would form the foundation for the legitimisation and promotion of social investment. The main avenue for achieving this, SITF stressed, was by finding ways to integrate actors from the third sector, business, and the government, and motivate them to work alongside each other in collaborative projects, much like the NPG reforms stipulated. Figure 4 provides a snapshot of the results of this initiative.



	Charity / Voluntary sector	Journalists / Media / Academia	Business sector	Banking / Finance	Housing association / Co-operatives
Ronald Cohen (chair)	x			x	
David Carrington	x				x
Ian Hargreaves		x			
Philip Hulme	x		x		
Geraldine Peacock	x				
Joan Shapiro				x	
Tom Singh			x		
Ben Kernighan	x				
Ed Mayo					x
David Orr					x
Danny Truell	x				

Figure 4. Actors in SITF

The SITF had its Secretariat provided by the UK Investment Forum (a SRI platform founded in 1991, now called The UK Sustainable Investment and Finance Association) and worked in collaboration with the New Economics Foundation (a UK think-tank which started off in 1986 as the permanent secretariat for TOES – 'The Other Economic Summit', a counter-summit to the annual G7 Summit, organised by new economists, environmentalists and development campaigners – but which has since developed into one of the largest UK think-tanks), and the Development Trusts Association (an association of development trusts – organisations which are local-community based, owned and led, and engage in environmental, social, and economic development). The inputs that would go into the negotiation regarding blended value were therefore coming from a multifarious value background, including from heterodox views.

Ronald Cohen was appointed chair of the SITF. Founder of Apax Partners, one of Britain's first venture capital firms and one of the most successful globally, Cohen would become a social investment veteran, chairing most of the crucial institutions that were established with the intent of fostering a social investment market in the UK (the Commission on Unclaimed Assets, Social Finance, Big Society Capital etc.). He also would found Bridges Ventures in 2002, a mission-driven investor with over £500 million in portfolio across three types of funds: sustainable growth funds (a type of SRI funds), property funds (investing in properties in regeneration areas and those showing environmental leadership), and social sector funds (providing finance and support to charities and social enterprises), as well as, in 2003, the not-for-profit Portland Trust, a so-called ‘action-tank’, whose mission is to promote peace between Israel and Palestine through economic development .

The other initial members included David Carrington (a former director at the Baring Foundation and at various housing associations, as well as a former chair at the Charities Aid Foundation Grants Council and a member of the executive committee of the Association of Charitable Foundations, and who would become, an experienced Independent Consultant on the charities sector), Ian Hargreaves (a journalist and media academic formerly at the New Statesman, Financial Times, and News and Current Affairs at the BBC, as well as a Director of Cardiff University Centre for Journalism Studies), Philip Hulme (founder of business dealing with banking software and e-commerce, as well as founder of the Hadley Trust, a grant making charity), Geraldine Peacock (a former chair of the Charities Commission and trustee of the National Council of Voluntary Organisations), Joan Shapiro (a former executive vice president of the South Shore Bank in Chicago, a pioneer in the creation of the concept of community economic development through banking), and Tom Singh (founder of New Look, one of the UK’s largest women’s fashion retailers). In time, other appointments were made, notably Ben Kernighan (deputy chief executive at the National Council for Voluntary Organisations), Ed Mayo (secretary general of Co-operatives UK), David Orr (Chief Executive of the National Housing Federation), and Danny Truell (Chief Investment Officer of the Wellcome Trust).

Consistent with the mission assigned by the Labour government – that of creating cross-sector collaborative partnerships with the purpose of blending social and financial returns, especially in the most disadvantaged sectors of society – the SITF was composed therefore of a motley but experienced group of third sector practitioners, philanthropists, and business people, which produced innovative recommendations and set paths to new ways of providing community development finance. Even though the Task Force was rather dominated by the charity/voluntary sector, it was diverse enough to contain members representative of the various sectors of society whose visions regarding the notion and means of creating social value diverged and needed to be subjected to a process of reconciliation. The negotiated nature of the meaning of social value is visible first of all in this latter process, which aimed to arrive at a common value denominator that would act as a foundation for building the social investment market.

The SITF published an initial list of recommendations six months after its establishment, two more reports on the progress of the implementation of those recommendations (one in 2003 and one in 2005), and a final report reflecting on its achievements, shortcomings, and final recommendations – these documents provide valuable information regarding the process of the establishment and promotion of a social investment market in the UK, as well as the vision regarding the scope and meaning of such a market. In their last report, the SITF finds that the recommendations were implemented to a great degree, that "the way ahead is clear" (SITF, 2010, p. 2), and that "the social investment market looks set for exciting growth over the next decade, and the SITF believes that social investment will, in time, become an established asset class. It is important that it does." (SITF, 2010, p. 9). The confident tone of the positive self-evaluation warrants an analysis of these recommendations in order to gauge the depth and breadth of the particular legal and institutional measures implemented, as well as the actors' aims and achievements realised as a consequence.

The four reports that the SITF publish reveal how, as a first step in construing ways for bringing about the social and financial returns as per the Task Force's remit, the actors involved had to negotiate the meaning and scope of social investment and the sought-after values underlying it, before proceeding to select the area in which the latter would be best applied and illustrated. Within the reports there is a visible tendency, at first, to identify local community development as the site where social value can be created most efficiently. Later on, as will be discussed, the stress moves from local initiative to a vision of co-production between the latter and national agencies together with global investors. Thus, the first five recommendations produced by the SITF within the first half a year since its establishment in 2000 were directed specifically towards the improvement of local community development finance, as a source of social value creation. The last three recommendations with which the SITF completed its mandate in 2010 move beyond localism and suggest policies targeted at creating rather larger-scale social investment and social stock exchange hubs. Indeed, besides analysing the work of the SITF, the report also provides an overview of the development of the social investment market in the UK over the first decade of the third millennium. The first report, nonetheless, focuses more strictly on 'under-invested' communities, though by the very nature of attempting to connect community development with global investors it eventually had to move beyond stern localism.

The recommendations were as follows (SITF, 2000, 2010):

1. First, the adoption of a community investment tax credit, to provide incentives for finance to flow to communities via Community Development Financial Institutions (CDFIs). This resulted in the introduction of the Community Investment Tax Relief (CITR), which provides 5% tax offset each year over a five-year period to investors providing finance to CDFIs, which then direct the funds to enterprises and community projects. CITR had unlocked £58 million by March 2009.
2. Second, the creation of community development venture funds (CDVFs), through the government matching the funds that venture capital, private entrepreneurs, banks, or institutional investors provide. This resulted in the creation of the first community development venture fund, Bridges Ventures (founded by the aforementioned Ronald Cohen, chair of the SITF), through the governmental provision of £20 million of matching investment, half in the form of a loan at Treasury Bills rates and half as an investment in the fund. The other £20 million were raised from venture capitalists, entrepreneurs, banks, and local authority pension funds. As mentioned above, Bridges Ventures built on the success of its first experience and founded the three funds that it today operates. Besides Bridges

Ventures, the government provided funding for other community development venture funds such as the Advantage Growth Fund, WHEB Ventures, and others.

3. Third, disclosure of individual bank lending activities in under-invested communities. Due to the scarcity of information in this regard, a need for disclosure emerged in order to observe the lending practices of individual banks in communities and evaluate practices in a time of perceived branch closures and lack of regional finance. This had limited results, given that in the original recommendation disclosure was required on a voluntary basis. While this has led to an improvement, the practice is not systematically widespread, and is trailing behind the US, which, through the Community Reinvestment Act of 1977, has required reports on branch lending in order to assess whether the banks are meeting the credit needs of local communities that might be affected by financial exclusion.
4. Fourth, greater latitude and encouragement for charitable trusts and foundations to invest in community development initiatives. This was required due to the fact that trusts and foundations were confused as to the restrictions imposed by the Charity Commission when it comes to community development finance, which led to under-investment by such institutions in community projects. This initiative resulted in the Charity Commission publishing new guidance immediately after the first SITF report and effectively allowing trusts and foundations to fund social investment as long as it advances the charity's objectives.
5. Lastly, support for community development financial institutions (CDFIs). The proposal argued for supporting the efforts of CDFIs through new mechanisms of attracting finance at the wholesale level to be channelled to CDFIs, together with a trade association representing the needs and interests of CDFIs and operating as a forum for data provision and organisation. This resulted in the creation in 2002 of the Community Development Finance Association (CDFA), which accumulated, by 2009, an overall loan book of £400 million and collected £500 million of private investment for businesses and households overlooked by mainstream financial institutions. The CDFA also developed a code of practice and an outlet for gathering performance data to foster confidence in the sector.

To anticipate, in some respects the reports of the SITF are surprisingly similar in tone and recommendations with the then incoming Big Society agenda. The same language of re-empowering local communities, for instance, is apparent in both. That said, the main difference is to be found in the role that the state is perceived to play in the revival, as sources of social value creation, of the weakened communities, fraught with poverty and inequality: in the case of The Big Society, as will be described below, the state is the cause of the latter predicament, through crowding out and fostering apathy and irresponsibility, thus an economic and a moral problem as well; in the case of the SITF, the state is the solution to an issue of under-investment. Indeed, under Labour and the SITF, the government had the role of providing incentives (CITR for instance) or matching funding (for CDVFs) in order to nurture social investment, or of supporting and promoting associations of community development financial institutions which would act as the representing body of intermediaries between local communities and national investors, much as in the spirit of the initial mission of the US government sponsored enterprises (GSEs). To quote a culinary interpretation of the difference between the two governments:

> "For New Labour, citizen participation was the yeast in the dough: a way of getting more out of public services by transforming the bare ingredients and the way they interacted. For the Coalition, The Big Society promises a cake alongside the dry bread of residual public services – for those who can afford to bake it, that is." (Lowndes & Pratchett, 2012)

That said, the difference between discourse and practice in the case of the Coalition Government agenda is not to be overlooked: for instance, most of the institutions set up under the auspices of the SITF were not abolished – some of them were revamped, other merely renamed (for instance, Big Society Capital was created on the backbone of the Labour-proposed Social Investment Wholesale Bank).

All in all, the SITF was relatively successful in rapidly implementing its proposals for improving under-invested areas' access to development finance, as well as in conceiving ways in which to blend financial return with social impact, and connect local needs to national and international finance. For instance, in its final report (SITF, 2010), the SITF also goes a long way in discussing the emergence of a social investment market in the UK and listing the social investment organisations that appeared on this scene since 2000: organisations offering grants to charities and social entrepreneurs (UnLtd, Impetus, Private Equity Foundation, Breakthrough), patient capital (CAF Venturesome), loans (Futurebuilders, Communitybuilders, Social Enterprise Investment Fund – all government funded, and Charity Bank – private), investment advice and intermediaries (Investing for Good, Social Finance), hubs for sector (ClearlySo), risk capital (Bridges Social Entrepreneurs Fund, Big Issue Invest, Triodos Social Enterprise Fund), and venture capital (WHEB Ventures, Bridges Ventures). It is unclear whether the SITF played an active role in creating all or some of these entities, but, given that (at least some of) the people who chair or are members of the executive committees in these companies (all created after the SITF came into being) were members of the SITF, it is safe to assume the SITF played a crucial role in providing the impetus, networks, and perhaps expertise for creating these social investment organisations. As it claims itself: "over the last 10 years, the SITF has succeeded in fostering the creation of a UK social investment market. There is now an opportunity to develop a robust and sustainable market and to turn 'social investment' into a mainstream asset class" (SITF, 2010, p. 16).

The last report draws to a close by providing three final recommendations which signal the negotiation tilting in the direction of a more co-productive understanding of social value creation by implicating non-local entities as well: establishing a properly capitalised Social Investment Bank; developing SIBs; and adopting a UK Community Reinvestment Act. These were perceived as the next necessary steps in order to consolidate a social investment market that was emerging but was still in its infancy.

The first recommendation suggested the creation of a Social Investment Bank, using the proceeds from the Dormant Bank and Building Society Accounts Act of 2008 as the initial capitalisation. The latter authorised the use of assets from deposit accounts that have been inactive for 15 years, totalling an estimated £500 million in 2014. Out of this, the report acknowledged that the proposed £75 million to be devoted to the Social Investment Bank was an appropriate initial stage. The mission of the Social Investment Bank would be to create the market infrastructure for social investment to become a well-structured, transparent, and predictable asset class with a clear track record and a solid network of intermediaries as well as reliable data. As mentioned above, the blueprint for the Social Investment Bank has been appropriated by the coalition government and has given birth to Big Society Capital, a Big Society social investment institution that plays a crucial role in the development and funding of SIBs and has a promised working capital of £400 million from the dormant accounts and an additional £200 million from four UK high street banks: Barclays, HSBC, Lloyds Banking Group and RBS (BSC, 2013).

The second recommendation involved the widespread use of Social Impact Bonds. By the time the report came out in April 2010, the first SIB at Peterborough Prison was already announced, though not launched yet. This was met with considerable enthusiasm by the report, emphasising its advantages – a focus on funding preventative work, fostering multi-level innovation, enabling locally-tailored solution – and expressing the long-term vision for these instruments:

> "Investment fund managers believe there would be considerable consumer interest in investing in SIBs once a track record has been established. Ultimately, SIBs could become a new social asset class in their own right, comparable to microfinance, enabling a flow of investment from the capital markets to resolve social issues around the world." (SITF, 2010, p. 19)

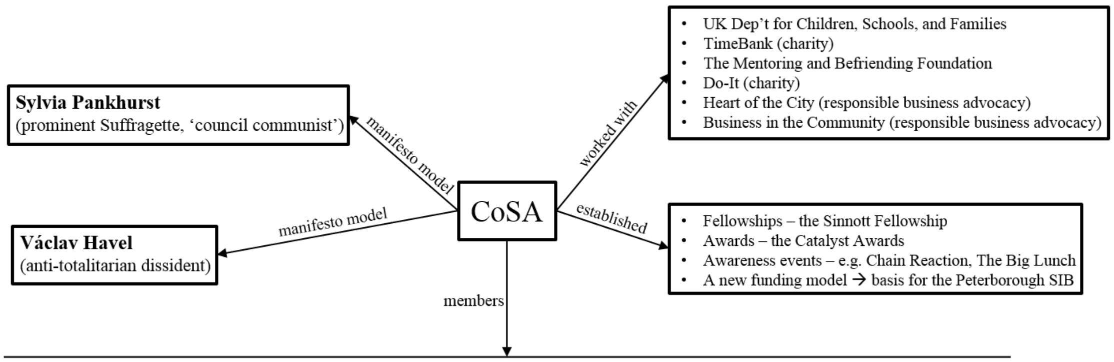
The perspective of developing SIBs together with a market for them, as well as that of attracting finance from capital markets was not simply Labour's desideratum, picked up later on by and made central to the Conservative Party's campaign. It was, in fact, the predictable next stage of an initiative that Labour oversaw through the creation of the SITF in 2000 and its offspring, Social Finance, in 2007 (two entities whose chair was the same individual, Ronald Cohen), as well of the Council on Social Action, a platform for discussing social action founded also in 2007 and the subject of the next section. All of these organisations came to play a central role in the selection process which resulted in the Peterborough Prison being the target of the first SIB, and were appropriated and placed into the limelight as Big Society projects.

The last recommendation involved the creation of a UK Community Reinvestment Act, explicitly modelled after the US 1977 Community Reinvestment Act (CRA), and building on the initial third recommendation of more disclosure by community bank branches. The US CRA, the report suggested, provides an exemplary framework for making local financial institutions responsible for addressing financial prejudice and exclusion. The lessons from that example were threefold: compulsory, not voluntary disclosure for braches, in order to identify under-investment and exclusion; social fairness, in order to prevent instances of abusive behaviour such as unregulated sub-prime lending; and partnership between government, financial institutions, and communities. Nothing came out of this proposal, though it has managed to attract attention and approval from think tanks such as ResPublica (2014).

The SITF, therefore, plays a crucial role in the genealogy of the first SIB, and of the creation of a social investment market in the UK more generally. The innovative mission of moving away from responsible investment, which focuses specifically on negative screening (and more on which later), to social investment, which seeks to blend financial return with social impact in an active fashion, was the perhaps insufficiently acknowledged remit but also merit of this government sponsored platform. The SITF, in its decade-long existence, also oversaw the emergence of a social investment market in the UK through the promotion and provision of social investment talent and expertise, as well as the fostering of a number of companies working in the social investment sector. Its work, ranging from providing a discussion platform to delivering legislation or creating, directly and indirectly, social investment institutions and organisations, proved to be, in the end, of decisive importance to the creation of a market in social impact investment. And at the centre of this achievement lied precisely the cross-sectoral blending of actors into a cohesive and determined whole, who benefited from new valuation processes in which networked negotiation and selection played a crucial role in bringing about the first SIB and in fostering the social investment market in the UK. The most important feat of its existence, though, was the negotiation of the meaning and scope of social value, which provided the groundwork and impetus for the legitimation and promotion of the entire field of social impact investment. And while this negotiation seemed to point to local community development as the source of social value creation initially, it subsequently broadened its scope to include other state agencies and private actors in an understanding that social value is created as a result of a process of collaboration and co-production. In order to flesh out this consensus, a selection of an area of social risk was required, which was undertaken by the other Task Force.

6. The Council on Social Action selects

The second platform that was thus of seminal importance to the creation of SIBs was the Council on Social Action (CoSA), an organisation set up by Prime Minister Gordon Brown in 2007, and with a pre-defined lifespan of two years. CoSA was co-chaired by the Prime Minister and had 15 members, supported by a small team working mainly part-time. The members were, similarly to the SITF, a mixed cohort – “innovators from every sector” (CoSA, 2009, p. iv) – that included people from charities, foundations, trusts, but also private businesses and consultancies. The meetings (two hours long, every six weeks) were also attended by ministers, senior civil servants, and advisors. CoSA produced ten reports throughout the two years of activity, outlining its initial goals and the subsequent progress in achieving them. Below is a stylised snapshot of the main actors brought together by this platform (see Figure 5).



	Charity / Voluntary sector	**Journalists / Media / Academia**	**Business sector**	**Banking / Finance**	**Housing association / Co-operatives**
David Robinson (chair)	x				
Kay Allen			x		
Oli Barrett				x	
Shankari Chandran			x		
Olga Heaven	x				
Geoff Mulgan	x	x			
Julia Ogilvy	x		x		
Rob Owen	x			x	
Tim Smit			x		
Kevin Steele	x				
David Thomlinson			x		
Sophi Tranchell			x		
Paul Twivy			x		
Julia Unwin	x				x
Peter Wheeler	x			x	

Figure 5. Actors in CoSA

The initial remit of the CoSA was to find a way to

> "generate ideas and initiatives through which government and other key stakeholders can catalyse, develop and celebrate social action. We consider 'social action' to include the wide range of ways in which individuals, communities, organisations and businesses can seek through their choices, actions and commitments to address the social issues they care about". (CoSA, 2008, p. iii)

Similar to SITF, CoSA benefitted from the changing landscape of public policy design and delivery and engaged in a process of negotiation and selection, but this time the negotiation was to be undertaken in order to clarify how social value can be generated via an elusive something called ‘social action’. CoSA identified this project with that of developing ‘the good society’ through the help of ‘willing citizens’. As opposed to the incoming Big Society, the good society was construed as a potential realisation of qualities inherent in a normal society characterised by the presence of both positive and negative elements, but whose actualisation would only be possible with the cooperation of or through the state. Once achieved, ‘the good society’ will be composed of only ‘willing citizens’, that is, individuals with an acute sense of social responsibility and moral duty. The manifesto of the CoSA, laid out in the first paper published, outlined the values espoused that were to be promoted through the efforts of the platform (the ubiquity of grassroots empowerment, equality, inter-connectedness, and optimism), together with the imperatives of cooperation at all levels and guidance by ‘those who have the least’. Interestingly enough, the average ‘willing citizens’ that populate this quasi-utopian society were to have as their model, the report goes on to say, personalities such as Sylvia Pankhurst (a prominent Suffragette, but also an adherent to council communism and an anti-war militant), and Václav Havel (the celebrated Czech anti-totalitarian dissident and former president of Czech Republic). All in all, it was believed that individual agency and volition, together with the enabling embrace of state institutions, would contribute to turning the vision of ‘the good society’ into a palpable reality.

Most of the work that the CoSA accomplished ranged in the field of policy-making, from light-touch or heavy consultancy to actual policy development and delivery. The first step in CoSA’s approach was to put in motion a series of initiatives through which more intimate and un-mediated relationships could be built on all levels of society. It thus produced 44 recommendations about how volunteerism projects could be improved or stimulated to grow, but also about how the government could adopt a ‘humanisation’ principle by improving the quality of it called ‘one-to-one relationships’. The developments that ensued comprised

> “the specific inclusion of one-to-one in government procurement requirements, the change in the policy making processes which now require officials to consider the role of one-to-one in every new policy and the review of workforce training

> strategies to include mentoring as one of the 'common core' of skills that all those working with children and young people are expected to demonstrate". (CoSA, 2009, p. 16)

As part of this increase in the scale, quality, and prominence of the so-called 'one-to-one' formula, CoSA advised and worked with the Department for Children, Schools, and Families (DCSF), TimeBank, The Mentoring and Befriending Foundation (MBF), Do-It, Heart of the City, Business in the Community, and other institutions or organisations on creating mentoring opportunities, national standards, or volunteering incentives, as well as developed policy for the DCSF so that from that time onwards officials would be required to consider how new policy provides opportunities for one-to-one relationship-building. On the same lines, it also advised the Ministry of Justice (MoJ) on ways to integrate and strengthen one-to-one relationships between legal advice workers and their clients, which eventually materialised in the requirement that the MoJ service delivery contracts include peer-to-peer dimensions in service delivery.

At the same time, CoSA reflected upon new mechanisms to connect, collaborate, and commit to social action, in the context of the need to cope with recession. Thence, it established a fellowship (The Sinnott Fellowship) to support outward-facing staff in schools and eight awards for the use of new technologies that would stimulate social action (The Catalyst Awards). It also established and led a handful of events with the same function, among them Chain Reaction (which was attended 1,000 people from 17 countries) and The Big Lunch (which provided the means and support for two million people to sit down and lunch with their neighbours).

Overall, CoSA reckoned, not unlike SITF, that its actions were followed by 'solid, important achievements', and that officials acknowledged the influence that they had on

> "[…] thinking in government departments on the value of this approach [community development approach to social change, *a.n.*] and on how practically to shape policy and processes for policy-making in the future so as to give greater prominence to this way of working." (CoSA, 2009, p. 6)

Nevertheless, beyond these institutional transformations and social initiatives, CoSA acknowledged that this purportedly simple but all-pervasive change in the delivery of welfare services required as well an innovative model of funding that would reflect the 'one-to-one' principle. So after the negotiation regarding the meaning and purpose for social action, it moved on to selecting innovative funding models as the channel for bringing the latter about. In order to develop one such model of funding, David Robinson, co-chair of the CoSA, build on the expertise he acquired at Community Links. Community Links, a 'legendary charity' (Guardian, 2011), was established by Robinson and Kevin Jenkins (another third sector 'institution', active across the board, and an elected councillor for the London Borough of Newham for 28 years), in East London in 1977, with the explicit mission of regenerating deprived neighbourhoods and engaging with the youth. While Community Links has, throughout the years, or rather decades, achieved almost unanimously celebrated success, one of the recurrent issues that was not sufficiently addressed, Robinson reckoned, was funding long-term outcomes, rather than year-by-year projects.

This was particularly a problem in the challenging area of youth (re)offending. Before the first SIB was launched to address this issue, it was estimated that, in the UK, out of 40,200 adults that served short-term sentences (less than one year), 73% went on to re-offend within two years of release (with 92% of them under the age of 21) (CoSA 2009). This added a significant amount of taxpayer's money to the already whopping yearly cost of £213 million for the entire cohort. The typical governmental approach, it was assumed, was to disregard long-term developments (concretely, in this case, to discount the issue of reintegrating in the community that would have probably precluded re-offending), and focus on crisis interventions, thus dealing with the consequences rather than the causes. Charities such as Community Links stepped in to address the problem of re-integration, but due to limited funding and the similar nature of year-by-year financing, the success of the operations was restricted.

At CoSA's first meeting, board members David Robinson and Peter Wheeler, in line with the prime minister's request of construing alternative funding mechanisms, shared their vision of combining long-term and large-scale funding with preventative projects that would, over time, save money for the government and the taxpayer. They mentioned that the International Financial Facility for Immunisation (IFFIm) Bond could serve as a useful model for developing a new financial instrument that would satisfy these requirements and help overcome the issues in the conventional governmental approach centred on crisis interventions. The social impact bond developed from these early (2007) initial discussions as the result of the selection process undertaken by CoSA.

In the following months, CoSA proved to be a fertile ground for assembling experts and practitioners from the business and the third sectors in order to tease out a potential structure for an innovative financial instrument. Thus, Robinson and Wheeler approached Social Finance (the NGO that sprang from the Social Investment Task Force and that had Ronal Cohen, the head of the latter, as its chair, and that was, finally, tasked with the acceleration of the creation of a social investment market in the UK), and asked them to develop a manner in which preventative projects with measurable outcomes could be funded from savings in acute services spending. Through Shankari Chandran, another member of the CoSA board, Robinson and Wheeler introduced Allen & Overy, an international law firm, to Social Finance, who provided the latter with *pro bono* legal support for the contractual details of the SIB. Also through CoSA, Social Finance connected with Edmond Curtir, a derivatives lawyer who wrote the first draft term sheet for the Peterborough SIB, and with Chris Egerton-Warburton, an investment banker known for structuring a 'vaccine bond', and who played an essential role in developing the accounting aspects of the instrument. At the same time, the Young Foundation, an organisation working on social innovation and whose then-CEO was CoSA member Geoff Mulgan, provided the research on outcome-based commissioning, and, in 2008, published a short paper in which it introduced the term "Social Impact Bond" (Young Foundation, 2008).

Building on the concerns voiced by Robinson and Wheeler regarding youth re-offending, Social Finance partnered with the Ministry of Justice (MoJ) and HM Treasury to build an SIB pilot in criminal justice. This was further encouraged by the Justice Committee of the UK Parliament who published a report called Cutting Crime: the Case for Justice Reinvestment (Justice Committee, 2010), in which the development of SIBs was explicitly recommended, as well as by the White Paper published by the Labour Government called Putting the Frontline First: Smarter Government (HM Government, 2009), which declared that the Labour government would pioneer SIBs as a way of funding. Finally, in March 2010, the contracts were signed and the MoJ announced that the launch of the world's first SIB would begin that summer at Peterborough Prison (MoJ, 2011). The Brownite Council on Social Action thus successfully provided the impetus and groundwork – not to mention the network of rightly-placed people – necessary for the elaboration and development of an innovative financial instrument to fund welfare services.

Of course, in the interstices of those two moments in time, the Labour government lost the office and gave way to a Conservative-Lib Dem Coalition Government. The Conservatives jumped on the bandwagon of the emerging UK social investment market, promoted a social investment bank (later renamed Big Society Capital) as the pillar vehicle of investment in innovative financial products that blend social with financial return, and pledged £5 million of funding to Social Finance together with other funding for the outcome payments of the Peterborough Pilot SIB through the Big Lottery Fund (Nicholls & Tomkinson, 2015). All elements were thus set in play for SIBs to become the cornerstone and, ultimately, the perhaps only inheritance of The Big Society ideology. At the same time, at the Peterborough Prison, the first SIB-based project was about to commence in September 2010. CoSA itself, like the SITF, would go down in history as the representatives of the NPG ethos of trans-sectoral interaction, collaboration, and compromise that was crucial to the advance of finance into the field of social policy delivery. And so, while both SITF and CoSA engaged in a process of negotiation that emphasised either co-production or the one-to-one principle (which essentially overlapped to a great degree), it was the latter that was more consequential, given that it was explicitly tied to an innovative funding model that would reflect it, and this led to a selection process that led to youth reoffending being the social risk that most reflected this new understanding of social value creation.

7. Conclusion

This chapter has discussed the first steps made in the process of finance's advance in the field of social policy design and delivery. Social impact investment is shown to follow closely the transformations occurring in the infrastructure of the public policy domain, given that these open up possibilities for new valuation processes to emerge. Among them, new forms of interaction based on network-like features are especially salient, and the manner in which they evolved allowed new entities to engage in new valuation processes predicated on negotiation and selection rather than administration or competition. These proved to have far-reaching consequence, at least in so far as the social policy field is concerned. Indeed, they proved nothing short of foundational for the social investment market and for the construction of innovative financial instruments such as social impact bonds.

In particular, what has been shown in this chapter is that the new valuation processes were brought about by the move from classical public administration to NPM to NPG. This was not a wholesale move, but rather an increasing tendency to construct public policies based on NPG features, particularly its penchant for network-like arrangements of cross-sectorial inter-dependent actors collaborating and utilising multiple and heterogeneous processes which inform the policy-making activity. This translated, in the UK, into the New Labour governments of 2000-2010 setting up two Task Forces endowed with the remit of fostering a social impact investment market in the UK. These two Task Forces, SITF and CoSA, were both a product and a symptom of the changes occurring in the public policy field, and they thus benefitted from the new opportunities emerging from the opening up of the latter. Rather than a centralised bureaucracy administering policy or tendering it to competitive and antagonistic private entities, the state oversaw the creation of these Task Forces and charged them with the power of re-envisaging social policy delivery through the creation of a social investment market.

SITF and CoSA were essentially different, not least in the fact that the first was set up in 2000 and had a lifespan of 10 years, whereas the latter was set up in 2007 with a two-year long term. An even more significant difference was constituted by their particular remits – the first was supposed to construe ways of nurturing trans-societal collaboration (of which it was itself an example, as was CoSA) as a fundamental premise of the social investment field, whereas the second was tasked with catalysing social action. Nonetheless, they both overlapped in the very process of approaching value in the field – they first engaged in a practice of negotiation, and then in an exercise of selection based on the resolution of the former. SITF dithered more that CoSA, and while it first considered that social value creation would best be serviced by local community development, it then acknowledged that co-production with the aid of national agencies and global investors is better suited for the task at hand. CoSA, on the other hand, negotiated the meaning and purpose of social action and came to the conclusion that the so-called one-to-one formula is appropriate to generate the maximum amount of social action, but that it falls short of its potential if it is not followed and supported by an innovative funding arrangement. The latter turned out to be precisely the social impact bond, modelled as it was, at the outset, on the IFFIm bond.

SITF and CoSA also overlapped – or rather concurred – in their selection process, as they both saw youth reoffending as a target with potential not only for improvement, but also for acting as an example of how this new policy arrangement might work and thus getting the ball rolling in the quest for establishing a social investment track record. These Task Forces, through the organisations they created (among them, Social Finance and the Social Investment Bank), partnered up with HM Treasury and the Ministry of Justice, and proceeded to design and launch the world's first SIB at Peterborough in 2010. The arduous road for initiating a social investment market was thus 10 years in the making, and it would not have been possible without these broad-based platforms of trans-sectorial collaboration nurtured by the NPG model. Through their work on envisaging a new approach to social value creation, these Task Forces engaged in a valuation process of negotiation and selection which proved consequential for the promotion of the impact investment market and for the creation of the world's first SIB.

Ordering and abstraction: Gauging social value

1. Introduction

The first steps in finance's advance in the field of social policy design and delivery were undertaken via an exercise in negotiation of the meaning and scope of social value creation, followed by a process of selection of the target where this new meaning would be applied. By 2010, when the Task Forces ended their activity, a social investment market was already in the works, with Community Development Funds and Social Enterprises already engaging in the creation of social value according to the new principles and avenues set up and promoted by the said Task Forces (HM Government, 2011). But these programmes were very local and rather subdued – they were not transformative enough to shake up public policy as such. This is where SIBs came in, and specifically the first of its kind, the Peterborough Prison SIB, which was the selection target of the same government-sponsored Task Forces.

Thus the valuation process behind finance's advance entered a new stage, now characterised by the need for ordering the particular actors involved in a potential SIB arrangement and their interaction, as well as abstracting the quantity of impact created, in order to link it to financial return and create what the social investment literature calls 'blended value' (Emerson, 2003) – the foundational value form, as mentioned above, of impact investment. Consequently, this chapter will analyse the next steps undertaken in the creation and expansion of this field, first by providing an account of the particular and stylised ordering of actors and their interaction in a SIB, and then by looking at how the social outcome of the actors' actions was to be abstracted through metrics and methodologies for calculating impact, as a foundational feature not just of SIBs, but of any social investment project.

Being a product primarily of the work of the Task Forces, the actor-interaction arrangement in an SIB is an heir to the NPG reforms. As such, it is predictably complex, not least due to the network-like features that NPG bestowed upon it. Among the latter, horizontality, collaboration, and continuous feedback loops are probably the most salient ones. Behind these labels lies the ideal of equal partnerships between trans-societal actors in the social policy act and a democratic sense of the inherent worth of all the inputs coming from stakeholders. That said, while on paper equality is the name of the game, there is no lack of criticism emphasising the hidden limitations and potential power imbalances displayed within the structure of SIBs. Despite the latter, SIBs still epitomise a novel arrangement of social policy design and implementation, which relies on multipolar inputs and networked feedback mechanisms.

Of course, these would be if not meaningless, then at least unaccountable, were it not for the 'technical' side of social value creation, which includes instruments, models, and methodologies utilised in the practice of measuring social outcome creation. This practice of abstraction is what gives social investment its tangibility. The actors present on the social investment arena, interacting according to the explicit or implicit principles of NPG reforms, rely thus on particular tools to grasp and gauge value in the field. Indeed, at the very core of impact investing lie 'metrics' – indicators of impact performance that render a social intervention commensurable, reportable, and comparable. Metrics encapsulate and account for social value creation. It is metrics, in the end, that afford the still inchoate sector of impact investment to crystallise and slowly develop contours as a legitimate and accessible practice, because they allow cross-sectorial and large-scale data – as will be argued in the next chapter – to be standardised, easily retrieved and processed, and thus allowing for investment decisions to be taken in conditions of 'perfect' knowledge. This way, financial return can be tied to impact achieved.

But metrics, as this section will show, are also fraught with a specific degree of uncertainty and contingency. Their sheer number and the process through which they are chosen, together with the continuous appearance of new metrics tied to the specificity of particular interventions, means that at this point the process of assessing impact is an open-ended one that lacks the sort of relative clarity that traditional mainstream financial valuations contain. Nonetheless, metrics are the *sine qua non* of the financialisation of social policy delivery. But contrary to the conventional financialisation narrative, metrics are not simply picked from the financial repertoire or replicated in an identical manner; a whole cornucopia of metrics and measures are being created endogenously – on the ground and on the go – in order to support the functioning of social impact programmes. They are created as finance advances in the field of social investment, but are not the same as the tools of conventional financial valuation. It will be shown that they constitute hybrid spaces of abstraction, which represent, crystallise, and indeed preserve different types of values than the ones contained in financial forms of valuation. Social Return on Investment (SROI), emerging as one of the most popular calculative framework, is given pride of place and is unpacked in some detail.

Ultimately, what this chapter finds is that, in the quest for the entrenchment of blended value, the actors involved engaged in processes systematisation, particularly ordering and abstraction. The first became necessary in order to forestall social investment programmes from becoming decisional free-for-alls and to make sure that inputs regarding social value creation were collected in an orderly manner. SIB projects were particularly amenable to such perils due to the fact that they included a great number of stakeholders from across the social sector board. Despite some inevitable power imbalances that this chapter will note, the ordering process was designed in such a manner to prevent such infelicities from occurring. Similarly, without the second factor – abstraction – social value creation would have been if not meaningless, then at least unaccountable. Once abstraction was undertaken, conceptual delineation of the field become possible, together with the subsequent conceptual clarification as well as quantification of social impact creation through the creation of metrics and frameworks for gauging social value creation. In the end, these median stages in the valuation process that characterises finance's advance in the social policy field played a crucial part in rendering value creation a palpable and workable pillar of social impact investment.

2. Order in the SIB court

Being contemporaneous with and indeed a part of NPG reforms, SIBs epitomise the drive for network-like arrangements that encourage horizontality and collaboration in the development and unfolding of a particular social programme. This is so not least because of the meaning of social value creation negotiated at the outset of envisaging SIBs, which was deemed a result of co-production and one-to-one principles. But this ideal would simply transmogrify into a decisional free-for-all, were it not for a process of ordering of actors and interactions that is part and parcel of the new valuation infrastructure that SIBs possess. The definitions of an SIB that were circulated illustrate the tendency towards this ambiguity, though the structure itself, as will be shown, is quite clear-cut.

Various interpretations of what SIBs are were provided, each emphasising a particular dimension of the instrument. For instance, Social Finance UK, the institution that launched the first SIB and coined the term, defined SIBs as: "a new contracting and financing mechanisms … [that] seeks to drive significant non-government investment into addressing the causes of deep-rooted social problems with returns generated from a proportion of the related reduction in spending on acute services" (Social Finance, 2009, p. 2). The Commissioning Better Outcomes Fund, a fund set up by the Big Lottery Fund to finance and support the development of SIBs, defined them as: "a type of Payment by Results (PbR) contract, where the finance needed to make the contract work is provided by social investors rather than by service providers" (TBLF, 2014, p. 1). The Young Foundation, which was heavily involved in the initial talks about developing an alternative method of financing social issues projects in the earliest years of the creation of SIBs, defined them as: "funding mechanisms which invest in social outcomes" (Young Foundation, 2011). Similarly, scholars differed in their understanding of SIBs, some defining them as "a financial product used to encourage private, philanthropic, and/or private investors to provide upfront capital to support project-oriented service delivery by public, private, or non-profit actors, or a combination of these actors" (Joy & Shields, 2013, p. 40), others as instruments that "permit the government to pay providers of outsourced public services in relation to the achievement of measured outcomes, thus transferring the financial risk to the provider" (McHugh et al., 2013, p. 248), and others still as aiming "to improve a social outcome through the collaboration of government, service providers and external investors" (Nicholls & Tomkinson, 2015, p. 338).

These definitions put the stress on different actors and different aspects of the programme delivery, but this does not imply that there was no consensus on what an SIB is or does, but rather that it could be looked at from various angles, depending on which aspect of its novelty is of particular relevance to a specific individual, institution, or context. And that is because to the extent that a well-rounded definition of SIBs was possible, it would have had to be easy enough to capture its essential purpose (financing social policy), and complex enough to emphasise its novelty (financialising social policy delivery). In other words, it would have had to capture the fact that while at face value SIBs are about social services provision (such as offender rehabilitation, public safety, rough sleeping, homelessness, healthcare, employment, child welfare, etc.) in a context of tight budgets and public sector reform, and about financing those services, the manner in which that financing is being done is novel: it involves a network of new actors, an innovative method of gathering funding from capital markets and other investors, a shifting of risk from public to private actors, and a sophisticated manner of quantifying social value added, discussed below. The novelty of financialisation is easily graspable in the fact that social policy delivery becomes a financial asset class meant to connect investors looking for return with particular financialised social policy deliverables – the SIBs themselves – that pay a pre-established, if varying, return, calculated on the basis of social outcome and risk measurements. Not unlike the New Deal policy-makers of the 1930s, who noticed that credit dried out in the economy as a result of the Great Depression and that there was great scope for government intervention to connect capital pools with consumer debt (Hyman, 2012), so the engineers of SIBs saw great scope for opening up the financing and provision of social policy deliverables to capital markets and other hitherto ignored stakeholders.

As a result of the deliberations presented in the previous chapter, particularly the negotiation and selection processes undertaken by the institutions that provided the groundwork for the social investment market in the UK, SIBs were construed by the same Young Foundation to involve a myriad of actors, which could generally be divided into four categories subject to a particular ordering process as a condition for creating the particular type of social value sought after (see Figure 6 below):

1. Commissioners – these can be local or national governments or foundations that commit to transfer funds only if the SIB-financed deliverable improves social outcomes for service users, thus shifting the financial risk linked to the success of the deliverable to investors.
2. Investors – these can be conventional charitable trusts and foundations, or retail, social, commercial, and institutional investors, high net worth individuals, etc. that are incentivised by the mix of social and financial returns on investment; given that investors receive a variable rate of return depending on the degree of improvement in social outcomes, their financial interest becomes thus aligned with the social outcome interest.
3. Service Providers – these can be social enterprises, charities, other civil society organisations, or a combination of these that are sub-contracted by a Special Purpose Vehicle (also called Delivery Agency) created solely with the purpose of playing an enabling role in the legal, financial, and operational structure of the SIB. Through the SPV, the service providers are contracted, funded, managed, and monitored. Some service providers, particularly small NGOs, lack working capital to undertake various projects and are thus generally excluded from participation, so that the upfront capital provided by investors through the SPV overcomes this issue. Service providers are encouraged to collaborate between themselves and with the communities in which the service is undertaken and innovate with the aim of maximising social output. The contract with service providers is generally longer than the usual hierarchical social services provision, which implies greater funding stability and employability, as well as more capacity for adaptive learning and dynamism.
4. Service Users – these are the target population who benefit from a more flexible social service given that the stress is on outcome (success metric) and not on inputs

(for instance, number of hours of interaction with the target population) or outputs (number of people benefitting from the project.

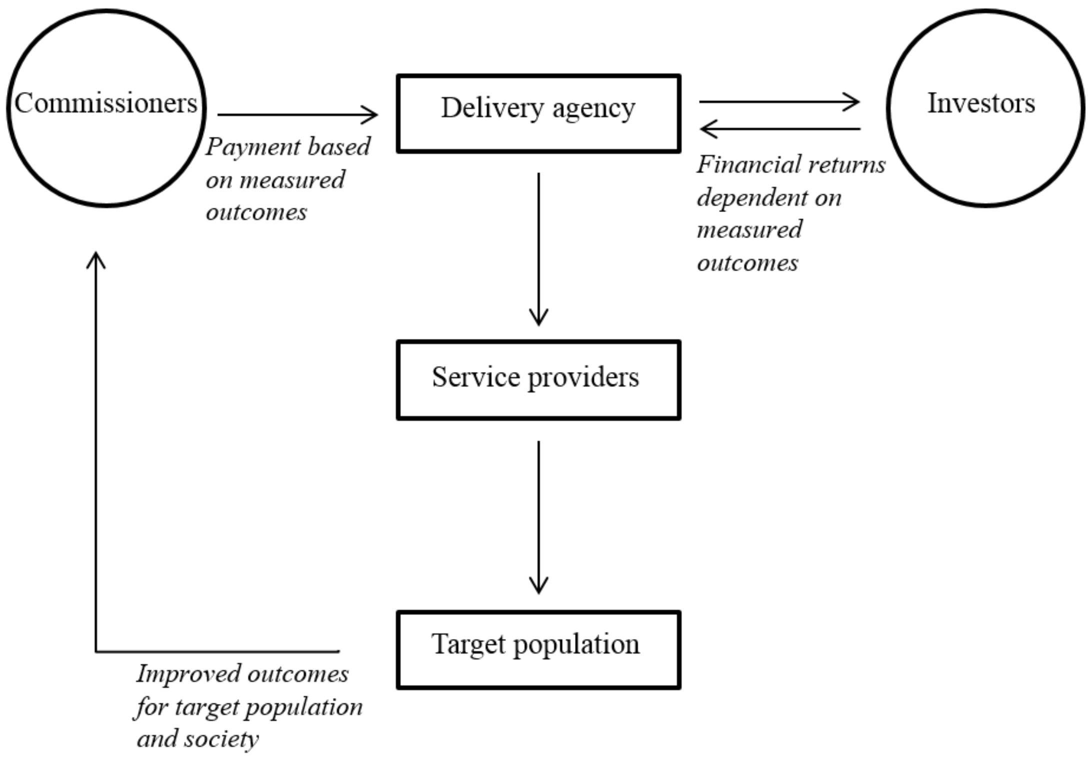


Figure 6. Generic Structure of SIB. Adapted from Young Foundation (2011)

Social value is thus created by the coming together of all the actors described above. But the way this occurs is not through a mere jump-along, but rather through a valuation process of ordering of actors and of actors' interests. Because of the fundamentally collaborative nature of the delivery of social services through such a programme, SIBs were perceived to work most efficiently precisely when there is a misalignment of incentives that prevents the development, funding, and delivery of preventative services that might reduce costs in the long run and achieve results more successfully through the system as a whole (Young Foundation, 2011). In other words, because resources are usually scarce for preventative, early interventions, and costs are usually high(er) for crisis interventions (Social Finance, 2009), SIBs provided an opportunity for aligning government policy objectives with non-government investor interests and social service providers around a particular social goal. This way, instead of deploying public services for overcoming a concretised social crisis, the state could harbour non-state actors to intervene and address as yet non-actualised social risk. Social risk could thus be packaged into a financial instrument and potentially traded on capital markets.

Besides aligning interest, the ordering process was also salient in that it enabled stakeholders to overcome structural obstacles in the implementation of social projects, which would not have been possible if attempting to undertake these projects individually (Bridges Ventures, 2014). All in all, commissioners stood to win by bringing external investment and potential savings to current budgets (while being weary of managing to build the economic case for the SIB and agreeing to contracts that suit all parties involved); investors achieved a social return in tandem with the sought financial return (while fretting the fact that specialist knowledge is required in managing and measuring progress, and the fact that policy changes might affect outcome measurements); and service providers could take advantage of the imperative of social measures to provide empirical evidence of their impact, while smaller service provides gain access to PbR contracts (while heeding the fact that involvement requires adaptive skills and more flexibility than conventional projects) (TBLF, 2014). The ensuing and complex partnership itself, it was thus argued, could have positive consequences for the actors involved, and not least in the development of transferable skills and knowledge.

Of course, despite the aforementioned horizontality and collaborative nature of SIBs, this did not preclude actors from having a different weight in the process of social outcome delivery, which meant that the ordering process had a degree of flexibility, depending on which of the actors involved played a ‘more’ primary role. The source of finance could determine the weight of the actors and there could be, for instance, philanthropic SIBs (in which funds are raised from philanthropic sources, which allow for more innovation, experimentation, and, implicitly, risk, but also provides more leeway to philanthropists to engage directly in financing outcomes, rather than indirectly through the funding of, for instance, charities); public sector SIBs (in which a local authority borrows, for instance, by issuing municipal bonds, and funds an SIB with the intent of receiving funds from the central government in the future in case social outcomes are achieved); or commercial SIBs (in which funding comes purely from banks, institutional investors, etc., and methods of risk assessment are sufficiently sophisticated for these private companies to find them reliable investment sources). The method of delivery could also vary, in that the organisation designing the intervention could use existing resources to undertake the process and receive future payment from the government (streamlined delivery structure); the delivery agency could assume a leading role and undertake the project itself (lead delivery agency structure); or a special purpose vehicle could be set up that would act as an enabler and a mediator between sub-contracted delivery organisations, funders and payers, effectively managing the collaborative structure of the SIB and monitoring its performance (SPV delivery structure) (Young Foundation, 2011). So, whereas the SIB models and delivery structures mentioned above were in fact ideal-types, in reality the most frequent types of SIBs and delivery structures are hybrid ones, in which the sources of finance are manifold and the weight of the actors involved is unique and dynamic, albeit within a very small margin.

On the other hand, this process of ordering also had the potential for creating negative externalities, a fact that was less acknowledged by the main institutions promoting SIBs. For instance, there did not seem to be much evidence of any reduction in the extent of bureaucratic volume and public sector costs (Joy & Shields, 2013). A complete reliance on SIBs required, at least temporarily, significant fixed costs through investment in developing new skills for bureaucrats for adopting an almost paradigm-shifting mode of delivering social services, as well as in laying off any human resources made superfluous by such a wholesale shift, due to potential costly and protracted legal battles. Of course, the very definition of fixed costs implied that these will be written off as time went by, which was deemed a real possibility in the case of SIBs. That said, Treasuries also complained that SIBs were an unjustifiably complicated and costly means of financing more efficient social programmes (Young Foundation, 2011). This was due to the fact that governments generally benefitted from a lower cost of borrowing capital, which translated into the situation that the returns that investors were due if the programmes were successful, and that are tantamount to the interest that the government must thus pay to investors, were higher than the price incurred for government borrowing. In other words, from a cost of capital point of view, SIBs might not have legitimised the abandonment of direct governmental financing of social programmes. Even the argument that the necessity of shunning direct governmental financing was imperative because of the structural inability of governments to tackle social issues in a preventative manner was reconsidered in light of growing concerns that there was no empirical evidence for this line of reasoning and that this argument is in fact built on ideological grounds (Loxley, 2013).

In other words, while this ordering process succeeded in realigning incentives and streamlining development and delivery, it also had the potential for creating important spill-overs which need to be addressed, and the complexity of SIB contracts does not make this task any easier, at least as yet, when the market is only in its infancy[4]. Regardless, the social policy goals that particular governments set for themselves would imply a contract that would be agreeable to the multitude of parties involved in the SIB, especially in regard to the metrics that are employed and need to be established in order to suit all actors: they need to provide an acceptable risk-return profile for investors, to yield measurable outcomes for service providers, and, most importantly, achieve policy goals for governments (TBLF, 2014). This complexity can be further deepened when one takes into consideration that SIBs span across three different fields of activity, the public, the private, and the social, each with its own set of (potentially conflicting) values, skills, and expectations. That said, complexity in this sense could simply be a case of a more

[4] Indeed, one of the issues here is precisely the timidity of investors facing a novel and untested asset. The fact that SIBs do not yet have a proven track record means that governments will bear the additional burden of making the economic case for developing and investing in SIBs, while potentially making significant concessions to early bird investors in the form of guarantees, low outcome requirements, or high returns. It is conceivable, on the other hand, that once a handful of SIBs are completed and a positive track record is built, the costs incurred by the public sector will diminish considerably. That said, there is also a suspicion that if, in the time between the establishment of the contract and the commencement of the delivery, the investor faces financial difficulties and is unable to honour his or her financial commitments, the government will have no choice but to step in and bear the risk (Hanlon, 2011), defeating thus one of the essential objectives of SIBs – shifting the risk from the public to the private sector. In fact, The Economist magazine likens SIBs with the infamous financial innovations that were so central to the financial crisis of 2008: “The social impact bond is based on the concept of risk transfer, in this case from the government to financial investors who will get paid only if the scheme is successful. Risk transfer is also one of the big ideas behind securitisation, the bundling of the cash flows from mortgages and other types of debt on lenders' books into a single security that can be sold to capital-markets investors. The credit-default swap is an even simpler risk-transfer instrument: you pay someone else an insurance premium to take on the risk that a borrower will default” (Economist, 2012). In other words, cost and risk considerations will probably be top of the list in governments’ evaluating of the usefulness and urgency of adopting SIBs as a model of delivery of social policy objectives.

thorough and sophisticated version of implementing public policy, rather than a burdensome iteration of it.

Putting complexity aside, there was still a real possibility that this ordering process that plays such a salient role in social value creation was fraught with potential predicaments coming from invisible imbalances of power. Service providers and the third sector were of particular concern. While the network-like structure of the SIB could in theory provide an opportunity for small service providers which lack vast amounts of working capital (or indeed were bound by law to cap the cash reserves that they could carry from one fiscal year to another) to participate in large-scale projects, in practice there were suspicions regarding this ‘overly optimistic’ scenario. Indeed, it was perceived that the competitive environment in which bidding was being done meant that small third sector organisations were at a disadvantage compared to their larger rivals, given that the latter had more immediate access to capital and resources in order to make a good case for bidding, not to mention the fact that capital limitations implied less ability to hire financial and legal expertise in order to inform themselves regarding risk and contract implications (Joy & Shields, 2013). In fact, there were worries that the shift to SIBs could simply consolidate the emerging private sector oligopoly in public services delivery, in which massive multinational firms (Atos, A4E, Serco, etc.) with projects in various public service markets and which often were too big or complex to fail, were forcing out smaller charities or social enterprises that might have been logistically able to deliver the same services in a more successful manner (Social Enterprise UK, 2012). Lastly, the cost of training staff to develop new skills would similarly bear most on smaller providers. There was a strong case to be made regarding the hidden power imbalances at play in SIB arrangements.

And that was not all. An even more scathing accusation was the fact that the ordering process contained within it the seed of generating a value misplacement or a ‘mission drift’ (McHugh et al., 2013), in which perverse incentives determined service providers to eschew topical but highly difficult-to-approach social issues in favour of more plain, easily quantifiable initiatives, in order to more easily develop or comply with the terms of the contract. This could have had the effect of ignoring the most hapless and threatened segments of society in favour of more easily measurable issues, and thus satisfying the outcome benchmarks at lower costs and with higher efficiency. The quantification of social outcomes in order to determine the risk and create a risk-return profile for investors could have the further unintended consequence that the profit motive would extend to traditional philanthropic agents that would usually provide funding in a grant or donation form rather than seek a specific monetary return in exchange, and thus that some organisations that operated on the basis of such funding were being left out.

Despite these accusations, SIBs were still understood as a novel arrangement for social policy delivery, which drew inputs from actors from across the social spectrum – government, business, finance, philanthropy, third sector, civil society, grassroots – and organised them in a nexus of networked-horizontality, interaction, and collaboration in the pursuit and alignment of their goals. This nexus was a result of an ordering process which, though malleable to some extent and subject to potential negative externalities, was part and parcel of the NPG reforms and contributed to a wider and novel valuation process that in the end gave birth to an innovative and more participatory channel for designing and delivering social policy objectives – social investment. Ordering was so crucial because it was understood that only a specific pattern of interaction could overcome some of the limitations of NPG reforms – namely, the potential for a free-for-all ingrained in the construction of the programmes – and produce the kind of alignment of incentives and inputs that was necessary for the creation of social value according to the new principles outlined by the Task Forces in charge of fostering the social investment market.

5. Impact metrology

Once the interaction patterns which should characterise SIB projects were conceived via the generative force of the ordering process, what was left on the table was the issue of accounting for the action of the involved parties' concerted efforts. What was perceived as necessary in this regard was the construction of a mechanism for, on the one hand, understanding and delineating the impact sought through the programme and, on the other hand, grasping it and expressing it in a quantitative manner. In other words, impact creation was subjected to abstraction, as a further step in the novel valuation process characterising finance's advance in the field of social policy. And this process of abstraction unfolded in a two-level manner – first, a conceptual demarcation of the very field of impact investment from the sister field of socially responsible investment, and then a conceptual clarification of the notion of 'impact' itself, together with the elaboration of a plan for gauging the newly-delineated notion of impact. As a consequence, this section will tackle these two aspects of the abstraction process, and it will further provide a more in-depth discussion of Social Return on Investment, which is one of the most popular metric frameworks used in practice.

1. Demarcating impact investment

For impact investment to become a legitimate investment paradigm resting on the notion of blending value, a degree of interpretational labour was required to differentiate it from the closely-related and often confused-with practice of socially responsible investment. What was it, indeed, that was sought by creating an SIB, as opposed to SRI or conventional investing? The answer was the elusive 'impact'. But impact investment is, as expected, a rather recent practice. A 2012 survey of major investors in the market found that a fifth of investors had already engaged in one form or another with impact investing before 1995 (Saltuk, Bouri, Mudaliar, & Pease, 2013). That said, the results were not conclusive: one of the main issues was that what exactly ‘impact’ was meant to capture was rather unclear, and it lent the notion of impact investment some degree of confusion, especially for the actors involved in setting up the world’s first SIB. For instance, impact investment was placed on the same plane with similar concepts such as socially responsible investment (SRI), ethical banking, corporate social responsibility, or even Islamic finance.

Take SRI: loosely conceived, SRI can be traced back to religious debates taking place several hundred years ago concerning the reconciliation of ethical imperatives with investment practices. This was reflected, for example, in the issue of whether or not the practice of asking for interest on a loan is legitimate and virtuous, and whether or not it should therefore be permitted (Domini, 2000). Religious organisations were thus the mainspring of responsible investment, as they perceived investment to be a practice that was far from morally neutral, and that it implied values and ethical decisions along the way. From the Quakers’ opposition to investment in the slave trade in the 18th century, to the establishment of the Pioneer Fund in the US in 1928 that became the first mutual fund that explicitly circumvented ‘unethical investments’, and the creation of the Ethical Investment Research Service in 1983, the notion of responsible investment gradually overcame its initial religious undercurrents, developed into a confrontational but secular practice during the 1970s and 1980s (driven by the protest movements against the Vietnam War and the South African apartheid), and finally consolidated itself as a legitimate and professional practice after the 1990s (Louche, Arenas, & Cranenburgh, 2012). In 2014, the value of responsible investment assets under management (AUM) reached \$6.57 trillion in the US (18% of total US AUM), and €7 trillion in Europe (a staggering 41% of total European AUM) (Eurosif, 2014; US SIF, 2014). The ascending trend did make responsible investment a candidate for becoming a veritable mainstream investment strategy.

And at the end of the day, SRI and social impact investment did have some shared characteristics: they had, for instance, the imperative of being mission-driven as a common denominator. Both sought to foster economic, social, and/or environmental value by explicitly divesting from or avoiding investment into pernicious and morally contentious sectors, and actively focusing on or encouraging areas or businesses that bring about added economic, social, and/or environmental value. It was not only impact investment that sought to “create positive impact beyond financial return”, as some of its campaigners understood and promoted it (O’Donohoe, Leijonhufvud, Saltuk, Bugg-levine, & Brandenburg, 2010, p. 5). All forms of responsible investment, by utilising negative screening, essentially promoted some sort of value, be it at the very least economic, in the guise of employment, or moral, through stigmatisation and avoidance. And some of the advocates of impact investment claimed, rather confusingly, that “all organisations, for-profit and non-profit alike, create value that consists of economic, social, and environmental components. All investors, whether market rate, charitable, or some mix of the two, generated all three forms of value” (Bugg-Levine & Emerson, 2011, p. 9). In fact, this insight had already been produced in a sense around the turn of the 19th century when Henry Sidgwick and Arthur Pigou started reflecting upon the issue of ‘externalities’ – the positive or negative spill-overs that economic exchanges might exhibit (Medema, 2007). A positive externality, therefore, can be conceived as a net positive spill-over effect for society at large resulting from an economic act, thus a form of investment with impact.

Of course, externality was an epiphenomenon, an unintended by-product that escaped the initial design of the economic exchange, therefore not on par with responsible investment, which implied an overt intention to produce a specific effect, negative screening included. Leaving aside the notoriously difficult task of defining ‘intention’, responsible investment was still a form of profit-making activity – one, though, that was beholden to specific ethical standards and benchmarks that governed the investment process. This meant that investors acquired, held, or discarded shares of companies on the basis of their track record in corporate social responsibility (Louche & Lydenberg, 2011). However, what really set impact investment apart from responsible investment – and this was one of the places of demarcation – was that while the latter did possess some tools for measuring these standards, especially when it came to the economic, social, and environmental effects of real estate projects, these were secondary and remained underdeveloped. Furthermore, responsible investment predominantly remained the mainstay of institutional investors (sovereign wealth funds, pension funds, mutual funds, exchange traded funds, etc.), partly also as a strategy for portfolio diversification and for taking advantage of under-priced assets outside the so-called ‘sin stocks’ (alcohol, tobacco, weapons, gambling, etc.) (Reeder & Colantonio, 2013). This entrenchment was also reflected in the coverage of socially responsible investment in the media and in academic journals: while initially the discussions were concerned with ethics, altruism, moral values, and the mission of going beyond financial aspects, the more recent coverage overwhelmingly moved towards the question of financial performance and the evidence that it is not all that different from common stocks after all (Capelle-Blancard & Monjon, 2012). Responsible investment, therefore, shared with impact investment the common goal of problematising investment practice as an ethical matter, but it did so in a passive fashion and mostly without quantifying the resultant impact.

Impact investment, in order to differentiate itself from practices such as SRI, had therefore to undergo a valuation process of abstraction, in which the clear definition of social value creation would become a top priority and a cornerstone of the entire field. Thus, it was decided that it would have to actively engage with two aspects: the social dimension of investment, and the elaboration of appropriate tools or metrics for measuring the impact on that social dimension. It therefore stressed non-financial returns not only as a filter through which illegitimate, noxious investments can be sifted out, but also as an investment rationale and essential factor through which financial return is calculated. Non-financial returns, as an investment mission, had generally been the lifeblood of philanthropy, but with the advent of the notion of ‘blended value’ at the beginning of the past decade, they transcended their segregated condition only to gradually become integrated in the investment mainstream.

Indeed, by introducing the notion of ‘blended value’, social investment could delineate a new site of value creation, which would end up mixing different activities and approaches, and thus become an autonomous field in itself. Impact investment could actually be conceived as a “significant revolution [that] appears to be underway on the frontiers of philanthropy” (Salamon, 2014, p. 2), and very much visible in the profusion of new actors which were interested in *outcome* and not *output*, and which put to use various new tools to harbour private capital markets in order to achieve leverage and supersede the issue of scarcity of retained funds. The distinction from traditional philanthropy was important, given that it provided an avenue for thinking through the value added of linking social impact with financial return, which provided opportunities not only for accountability, but also, through the increasing involvement of private sector financial actors, for leverage (see Table 1). The social value that was created as a result of social investment programmes was therefore different from the value that was brought about by traditional philanthropy, because, unlike the latter, it could be injected both with innovative entrepreneurship and with a virtually unlimited amount of wherewithal from profit-minded and capital-endowed financial actors.

TRADITIONAL PHILANTHROPY	NEW PHILANTHROPY
Foundations, Individuals	Individual / Institutional Investors
Operating Income	Investment Capital
Grants	Diverse Financial Instruments / Capital Tranches
Non-profits	Non-profits + Social Ventures
Social Return	Social return + Financial Return
Limited Leverage	Expanded Leverage
Output Focus	Outcome Focus / Metrics

Table 1. Old v new philanthropy. Source: Salomon (2014)

The idea that synergies were taking place at the borders of philanthropy was indeed attested earlier by the *nouveaux riches* of Silicon Valley, who, during the 1990s in California, borrowed from their expertise in funding successful start-ups with venture capital and lent it to found and fund philanthropic activities – thus the emergence of 'venture philanthropy' (Abélès, 2002). That said, this could not be untangled from another development that was rising to prominence around the same time, namely the advent of 'social entrepreneurship' and 'social innovation' (Leadbeater, 1997; Nicholls & Murdock, 2012). The latter concepts were closely connected through the idea that activities that strive to bring about social change were grossly inefficient and stood to learn a few things from the gradual but constant improvements that entrepreneurship had benefitted from during the past decades. Successful entrepreneurs, driven by the imperative of efficiency quantified in monetary returns, could make for useful models in the field of social intervention. This new practical ethos combining social impact with business efficiency materialised, for instance, in the founding of Ashoka, an NGO dedicated to finding and fostering social entrepreneurs, in 1980 by legendary Bill Drayton, or in the establishment of the Social Enterprise Initiative at the Harvard Business School in 1993. Thus, the blending and hybridisation of the fields of philanthropy and business in the social field gradually gathered momentum and contributed to the crystallisation of a field that was distinct from the likes of SRI. Social entrepreneurship or innovation was quintessential to the demarcation of the field of impact investment from similar fields.

Furthermore, whereas social intervention stemming from traditional philanthropy relied on the limited availability of grants and gifts bestowed by individuals, charitable foundations, or corporate philanthropic programmes, the new iteration of philanthropy, which thus hybridised traditional investment techniques and entities with traditional philanthropy, afforded to move beyond these entrenched habits and put to work a host of new instruments such as securitisation, equity-type investments, credit enhancements, crowd sourcing, or social impact bonds, while it mobilised, at the same time, a plethora of new institutions such as capital aggregators, secondary markets, social stock exchanges, venture philanthropy organisations, online portals, conversion foundations, or funding collaboratives. By combining tools and actors from across the investment spectrum, 'new philanthropy' strove to achieve something that was of paramount importance to the whole new business of impact investment, namely, leverage (Salamon, 2014). These emerging financial instruments allowed organisations engaging in social programmes to tap into the vast pools of global capital markets and magnify their limited resources (traditionally, operating income) by leveraging from institutions such as pension funds, mutual funds, investment banks, insurance companies, or from the savings of high net worth individuals.

The fact that leverage was such a crucial factor that made impact investment not only possible but also potentially successful was also due to another essential development that was part and parcel of the abstraction process: the shift from a focus on output to focus on outcome. While output sought to quantify, for instance, the services or products offered as part of a programme with less stress on impact and more on delivery, a focus on outcome looked at the implications of the programme, the transformative results – benefits, changes, welfare etc. – it managed to achieve or not. That said, a focus on outcome was not powerful only because of the shift in perspective, but also because it is accompanied by tools that render it measurable: metrics. And that is the final piece of the abstraction puzzle. Because metrics allow data regarding social value creation to be collected, examined, reported, and integrated within the calculation of the financial flows that result of social investment programme. Metrics, in other words, allow potential impact to be integrated within the valuation process, a novel practice that alters conventional methods of worth-attribution or pricing. Social entrepreneurship or innovation, leverage, outcome-focus, and metrics are all part and parcel, and indeed essentially intertwined aspects, of the abstraction process that was thus undertaken in order to legitimise the social investment market as a legitimate and entrenched practice.

2. Impact and metric extraction

The specification of a field dealing with ‘impact investment’, as opposed to SRI or classical philanthropy, was therefore a required technical exercise in the abstraction of a framework for approaching value creation and a steppingstone in the creation of a market in associated financial instruments. However, initially, impact investment was not a self-explanatory investment class (such as government bonds or corporate assets) for financial actors to simply come in and buy into. It was unclear, as described above, what the notion of ‘impact’ even referred to. The first obstacle that thus needed to be tackled after the market for impact investment was demarcated from other types of investment and in order for it to surpass its pre-paradigmatic state (Nicholls, 2010) was the creation of the foundational consensus regarding the meaning of 'impact' and ways of extracting impact data (metrics) from social investment programmes.

Within the sister practice of responsible investment, as argued above, the social dimension of impact was considerably underdeveloped, and the notion of utilising metrics to measure impact was, with some exceptions, virtually absent (Fiestas, Sullivan, & Crossley, 2010). Even within microfinance, a practice that also strove to foster capital market funding for social or developmental programmes, the social dimension had generally been underspecified (Fenton, 2010; on poverty see Fiestas et al., 2010). It was noted, for instance, that "in fact of all the metrics listed on mixmarket.org — the main resource for MFI data — none directly, if at all, indicate social performance or attempt to measure impacts on poverty" (Fenton, 2010). When the Social Performance Task Force – a non-profit founded in 2005 to "develop and promote standards and good practices for social performance management" (SPTF, 2016) – partnered with the Microfinance Information Exchange (MIX) in 2011 and developed 11 indicators by which to evaluate the social performance of microfinance institutions, they did not really measure anything, but only, as their name suggests, *indicated* whether or not specific aspects of a social programme fulfilled the established standards for being categorised as a 'social impact programme' (target population, development objectives, training in social performance management, products offered, consumer protection principles, accounting for poverty, etc.) (MIX, 2016).

But the notion of 'impact' as used in impact investment went beyond this and was coeval with the practice of assessing or measuring said impact. At the same time, it was laden with a certain degree of conceptual ambiguity. The many institutions, businesses, NGOs, platforms, working groups, etc. that utilised and promoted the notion of impact investment (e.g. The Global Impact Investment Network, The European Venture Philanthropy Association, The International Association for Impact Assessment, JPMorgan) did not necessarily employ a common or strict understanding of what it was exactly that impact entailed, but this attested less to the vagueness of the concept and more to the flexibility and adaptability of the notion to various uses. There were, at early stages, some attempts at defining impact by looking the kinds of concrete outcomes that may form part of successful interventions, and construing them as ‘changes’ to one or more of the following:

1. People’s way of life – that is, how they live, work, play, and interact with one another on a day-to-day basis.
2. Their culture – that is, their shared beliefs, customs, values, and language or dialect.
3. Their community – its cohesion, stability, character, services, and facilities.
4. Their political systems – the extent to which people are able to participate in decisions that affect their lives, the level of democratisation that is taking place, and the resources provided for this purpose.
5. Their environment – the quality of the air and water people use; the availability and quality of the food they eat; the level of hazard or risk, dust, and noise they are exposed to; the adequacy of sanitation, their physical safety, and their access to and control over resources.
6. Their health and wellbeing – health is a state of complete physical, mental, social, and spiritual wellbeing and not merely the absence of disease or infirmity.
7. Their personal and property rights – particularly whether people are economically affected, or experience personal disadvantage which may include a violation of their civil liberties.
8. Their fears and aspirations – their perceptions about their safety, their fears about the future of their community, and their aspirations for their future and the future of their children. (Vanclay, 2003, p. 8)

Even as late as 2009, close to the launching date of the first SIB, The International Association for Impact Assessment (IAIA), one of the most prominent non-profits developing standards and principles for impact assessment, defined impact, simply but rather ambiguously, as “the difference between what would happen with the action and what would happen without it”, and the procedure of assessing impact as “the process of identifying the future consequences of a current or proposed action” (IAIA, 2009). Hence even right before the Peterborough SIB, the result of the process of abstraction was a working definition of ‘impact’, which, rather than constituting a shortcoming, provided it with sufficient conceptual flexibility in order to be employed in social investment programmes with success and efficiency.

It was later, in 2012-2013, that 'impact' received – after learning, retrospectively, about the manner in which it was utilised – a more rounded and clear-cut definition. And here NESTA, a charity dedicated to increasing the capacity for innovation in the UK, came in to play a major role in the qualification of the notion in a more analytical vein, by making the following distinctions between output, outcome, impact, and impact risk:

1. An 'output' is a measurable unit of a product or a defined episode of service delivery directly produced by an investee's activities.
2. An 'outcome' is an observable, and measurable, change for an individual or organisation.
3. 'Impact' is the effect on outcomes attributable to the output, which may be positive or negative, and will be identified through high-quality evaluation.
4. 'Impact Risk' is a concept developed to give an indication of the certainty that an output will lead to the stated impact. (NESTA, 2012, p. 5)

As can be seen in these definitions, the process of abstraction was by no means a walk in the park, and required significant intellectual investment and conceptual clarification in order to make it operational. On the one hand, 'impact' seemed to simply signify a specific degree of change that can be attributable to a designated action, and not occurring as an epiphenomenon, an externality, or a spill-over of a separated event. But this created a further problem, because the presence of a 'designated' action was by no means easily identifiable. Cue EVPA, which attempted to solve this issue by providing an even rounder and more sophisticated definition of impact:

> "to accurately (in academic terms) calculate social impact you need to adjust outcomes for: (i) what would have happened anyway ("deadweight"); (ii) the action of others ("attribution"); (iii) how far the outcome of the initial intervention is likely to be reduced over time ("drop off"); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive

> outcomes ("displacement"); and for unintended consequences (which could be negative or positive)." (EVPA, 2013, p. 46)

This can be further simplified by saying that impact assessment had to adequately account for agency (is there some identifiable agent to whom the impact can be attributed?), time (how does the impact develop over time?), and space (how are other entities outside the scope of the intervention affected by it?). The only thing missing in this equation, which was required so that social value creation was abstracted in a clear and comparable fashion, was the practice of quantifying said impact – an act which was deemed rather costly, time-consuming, and elusive, but necessary. EVPA thus came with a recommendation to potential venture philanthropists in order to

> "measure impact that they calculate the outcomes of their investments while acknowledging (and where possible adjusting for) where other programmes could have contributed (e.g. the effect of the welfare state in developed countries) or where there may be negative effects, i.e. those factors that increase or decrease impact. In some situations comparing to potential control groups (for example based on research of comparable situations elsewhere) may also be feasible." (2013, pp. 46–47)

What EVPA was suggesting was that a certain degree of interpretative labour was required in order to undertake the abstraction process and resolve the inherent conceptual ambiguity present in the notion of 'impact'. For this, a methodology was needed for approaching social value creation in a more rigorous and replicable way. And this became the task of the G8 Social Impact Investment Task Force (SIITF), the precursor of Global Social Impact Investment Steering Group (GSIISG). The SIITF was established by David Cameron in 2013 as part of his pledge to use the UK's G8 presidency in order to promote the social impact investment agenda worldwide and extend the scope and depth of the impact investment market (more on this in the next chapter). In one of its subject papers, it divided the typical measurement process in four general phases (see Table 2), each with its own specific activity: Plan, Do, Assess, and Review (SIITF, 2014).

	Guideline	Description
Plan	Set goals	Articulate the desired impact of the investments
	Develop Framework & Select Metrics	Determine metrics to be used for assessing the performance of the investments
Do	Collect & Store Data	Capture and store data in a timely and organised fashion
	Validate Data	Validate data to ensure sufficient quality
Assess	Analyse Data	Distil insights from the data collected
Review	Report Data	Share progress with key stakeholders
	Make Data-Driven Investment Management Decisions	Identify and implement mechanisms to strengthen the rigour of investment process and outcomes

Table 2. Measurement process. Source: SIITF (2014)

The 'Plan' phase was the most dynamic and flexible of all the phases. As such, it required the investors and the investees to agree upon two twin aspects: the impact to be achieved, and the instruments with which it will be evidenced. The articulation of the specific impact sought required the elaboration of an investment thesis or a 'Theory of Value Creation' (ToVC) in order to "form the basis of strategic planning and ongoing decision making and to serve as a reference point for investment performance" (SIITF, 2014, p. 8). There were no set criteria for establishing what counted in the ToVC; this was rather left to the latitude of the deciding parties. However, ToVC was crucial, because the desired impact to be achieved would form the reference point upon which the entire project will reflect back. The choice of impact metrics, also part of the Plan phase, was similarly flexible and open-ended, and it could involve either a choice of a measurement framework from the myriad of already existing frameworks, or the elaboration of a new one, tailor-made to suit the particular circumstances of the project at hand. The second phase, 'Do', included the gathering of data together with its validation. As such, it involved the mobilisation of processes for making sure that the streams of data collected flow from investees to investors in a transparent and organised manner, as well as the review of the collection of data in order to assess, by cross-checking calculations and assumptions, whether or not data is gathered in a complete and accurate fashion. Similar to the first phase, it also implicated communication, negotiation, and contestation between the parties involved. In the third phase, the data gathered was reviewed and analysed with an eye for understanding and assessing to what extent the quality, scope, and depth of the impact was on track with the desired goal. Lastly, the review phase involved reporting data and making strategic management decisions. Thus, first, the progress of the impact investment project was shared with key stakeholders in order to inform their decisions regarding the effectiveness of the project, and, second, the feedback from stakeholders was taken into account with the purpose of delivering recommendations regarding the appropriateness of the investment thesis or the 'theory of value creation' established at the outset[5].

The phases of the impact measurement process were, therefore, highly dynamic and flexible, albeit within some limits and following some pre-set parameters:

> "performance measurement processes and the outputs of each step will interact and evolve continuously. The sequence, frequency, and timing of each activity will also vary. Implementation of these guidelines will be unique to every organisation, as they are likely to have their own measurement goals, resource constraints, and stakeholders to consider" (SIITF, 2014, p. 8).

In many ways, then, in the context of social impact investment, impact seemed to have been construed as the long-term measurable net social change that could be attributed to the service operators' designated programme scope. Attribution appeared as a crucial aspect, given that whatever residual impact appears, whether positive or negative, whether crucial to the beneficiaries of the programme or not, was less important when it came to the social investors. As long as it did not decisively change the initial impact goals, it did not figure in the return calculations. What really mattered was the efficiency of the abstraction process – the conceptual agreement and stability regarding 'impact', where the ToVC played a crucial part, and the metric extraction and application upon the social value development – and the manner in which this correlated with the pre-established financial return. Together with the dimensions of social entrepreneurship or innovation, leverage, outcome focus, and metrics, this process of abstraction constituted a major step

[5] It was unclear, though not unconceivable, if this would affect the return profile established at the outset.

in the concretisation and crystallisation of social investment as a practice with defined and specified means and ends. But in order to flesh out the abstraction process a bit more and illustrate how it was conceived to work in practice, the next section will look at Social Return on Investment (SROI) as the most exemplary and popular measurement framework utilised in social investment.

5. Social Return on Investment

SROI has slowly become one of the most popular approaches to measuring social value added, given its emphasis on three types of return: economic returns, socio-economic returns, and social returns. The use of the term ‘return’ is no accident: while these three dimensions can be expressed either in a monetary, quantitative, or qualitative language, or a combination of the three, there is a clear propensity – despite claims to the contrary (see, e.g., REDF, 2000) – for employing monetisation as the reference of choice. This purportedly clear-cut and transparent manner of expressing impact has the double benefit of satisfying the increasing demand for accountability that social enterprises and non-profits more generally face when attempting to draw on the financial resources of grant-making entities, as well as the need for understanding, in a self-explanatory way, not only how, but also how much their social intervention results in a specific impact (Nicholls, 2009). In doing so, SROI attempts, essentially, to solve a particular predicament: what to do in order to estimate the value of an item when there is no available market price for it (Krlev et al., 2013)? This foundational quandary makes SROI appealing not only to social investors driven by the drive for returns beyond impact, but also to states in their quest for introducing markets at the core of social policy delivery.

SROI was first launched by the Roberts Enterprise Development Fund (REDF) in the US in 1996, and was picked up and developed in the UK by the New Economics Foundation (NEF) (NEF, 2009; REDF, 2000). As such, its use is most evidenced in the Anglo-American world, especially in the UK where there is less hesitation to employ performance measurement tools in the social field, but it has recently made headway in continental Europe as well. In the original proposal that REDF made, SROI was meant to capture a spectrum of value ranging from economic to social, with the interposing referent called ‘socio-economic’ value. The economic value was simply the financial return that an enterprise produced, i.e. the revenue generated by engaging in an economic activity. The socio-economic value was construed as the savings to society or the state that a social investment programme generates by stepping into an activity or domain that diminishes, for instance, transfer payments or social risk more generally. Social impact bonds are the epitome of this form of added socio-economic value. Lastly, the social value indicator was meant to capture a more immaterial dimension – the improvement in individuals’ wellbeing or society’s cohesion. These can span a number of indicators from confidence or self-esteem to knowledge or skills. While the first referent, the economic return, is quite straight-forward and easy to capture by employing specific well-established econometric tools, the socio-economic return is dependent on the specificity of the project: if it is a question of a programme that promotes job integration, then it is quite easy to calculate the reduction in social transfer payments and the increase in employee tax payments; if it is a question of a programme that attempts to decrease discrimination, the pursuit for monetising savings to social costs is much more elusive. The third dimension, social return, which represents, in the end, the rationale of social impact programmes, is even more evasive. In fact, the social aspect, in particular more subtle dimensions of social value such as self-assurance, feelings of belonging, or contentment, is the most underdeveloped factor in SROI methodologies and is usually treated as a residual, abstract category that does not have a clearly definable meaning or purpose.

Despite this, SROI has been hailed as the most suitable methodology for translating certain aspects of social impact into financial terms (Krlev et al., 2013). By utilising indictors from across the three dimensions of impact, SROI methodologies develop a coefficient that captures the ratio between social benefits and investment costs, and express this in monetary terms (NEF, 2009):

$$\text{SROI coefficient} = \frac{Present\ Value\ of\ Social\ Benefits}{Value\ of\ Investment}$$

Essentially, this equation calculates how much social benefit expressed in monetary terms has resulted for a given amount of invested capital. For instance, a SROI coefficient of 3:1 implies that an investment of £1 delivered a £3 return of social value. This coefficient is then utilised as a purportedly rigorous tool to measure and account for the change that a specific project has brought about. In order to undertake such a SROI analysis, specific steps must be followed (NEF, 2009). Table 3 summarises this process.

STEP	DESCRIPTION
Establishing scope and identifying key stakeholders	What the analysis will cover, who will be involved in the process and how
Mapping outcomes	Developing a theory of change that accounts for the relationship between inputs, outputs, and outcomes
Evidencing outcomes and giving them a value.	Establishing the data that will be used in order to demonstrate that outcomes have happened, and then valuing the outcomes
Establishing impact	Eliminating the possibility that impacts would have happened anyway
Calculating the SROI	Developing the coefficient: adding benefits, subtracting negative outcomes, comparing with the investment
Reporting, using and embedding	Sharing findings and verifying them with stakeholders

Table 3. A typical SROI analysis. Adapted from NEF (2009)

The first four steps share many things in common with other metrics that are subsumed under the critical theorist and interpretative banners (which will be discussed in the next chapter). Thus they can include drawing up a boundary of what is feasible to be measured and what is beyond the purpose of the programme, what the main audience is, how communication with the audience will be done, how the object of the intervention will be understood, what human and monetary resources will be mobilised for the project, the period of time that will be considered, who are the relevant stakeholders and who are the excluded ones, how each stakeholder might be affected by the activity, how and how much they should be involved, establishing the inputs, identifying the non-monetised inputs (this is a pre-requisite in SROI – monetising, for instance, volunteer time or contributions in goods and services), clarifying the outputs, describing the outcomes for each stakeholder involved, developing outcome indicators (e.g. for decreased social isolation: to what extent beneficiaries have built new friendships, to what extent they are participating in new social activities such as sports or group travel, to what extent they have developed new social skills, to what extent they take advantage of public services such as public transport, etc.), collecting the outcome data, establishing how long the outcomes may last, calculating deadweight by making reference to comparison groups or benchmarks, establishing attribution, estimating the amount of drop-off or to what extent the attribution declines over the years, etc. Finally, the last step involves reporting to and debriefing with stakeholders, something that SROI also shares with most other metrics. All in all, most of these aspects involve a high degree of reflection, negotiation, and decision-making regarding what to include in the analysis and how; they are by no means strict indications of the proper paths to revealing the social impact that a programme might have.

Where SROI really differs from other methodologies of calculating social impact is in the monetisation of outcomes, which happens in step 3, and, of course, in the calculation of the SROI coefficient, which happens in step 5. As mentioned above, the issue with assigning social outcomes is that they are not tradeable in markets, therefore they do not have a market price, nor can they be a party in processes of 'price discovery'. In order that this limitation be overcome, a financial proxy is used (Social Value UK, 2013). The financial proxy estimates the value that stakeholders assign to a particular good or service. By engaging directly with them, service providers mediate between the distinct values that people attach to different things, and so arrive at a financial estimate of the social value that an intervention create that is at the same time more complete than, say, a stock price:

> "Share prices only reflect the valuations of a very limited group of stakeholders (institutional and retail investors), while an SROI analysis, if done properly, captures the different types of value relating to an activity, intervention or organisation, as seen from the perspective of those that are affected – i.e. the stakeholders." (NEF, 2009, p. 46).

Some of the financial proxies utilised are fairly easy to capture and they do not require deep stakeholder engagement. When it comes to, for instance, cost saving interventions such as employment or health programmes, it is not difficult to estimate how much was saved by the state not having to subsidise healthcare or transfer unemployment payments while at the same time bringing in new tax receipts. On the other hand, when it comes to estimating the value of more elusive things, which are normally left out of mainstream economic valuations, SROI uses several techniques. The technique of contingent valuation, for example, approaches the issue of monetisation by simply asking individuals directly what monetary value they assign to, say, decreased aircraft noise, or how much monetary compensation they would require to accept, say, for an increased occurrence of crime. The technique of revealed preferences looks at related or similar things that already have a monetary value and are tradeable on markets, and infers stakeholders' valuations from their prices. The travel cost method similarly infers the price of a specific thing, but this time by translating into monetary value the willingness of people to travel distances to access specific goods or services. Another alternative would be average household spending on things such as leisure in order to estimate how much individuals value these things as compared to others. Some examples here are given in Table 4.

STAKEHOLDER	OUTCOME	INDICATOR	POSSIBLE PROXIES
Young people	Decrease in drug use	Level of drug use	Average amount spent by young people on drugs
Offenders	Reduced reoffending	Frequency of offences for which participant is charged Nature of offence	Forgone wages due to time spent in prison
Care leaver	Reduced homelessness	Access housing upon leaving care Satisfaction with appropriateness of housing	Rent Cost of hostel accommodation
Local community	Improved perception of the local area	Residents report improvements in local area	Change in property prices Amount spent on home improvements

Table 4. Value estimation process in SROI. Adapted from NEF (2009)

These and other techniques make SROI a more holistic approach to assessing, quantitatively, how much people value a specific outcome that an intervention might have. But at the end of the day, "there are no hard and fast rules as to which you would use in given situations" and they require "creativity and research" together with "consultation with stakeholders to identify the most appropriate values" (NEF, 2009, p. 48). In other words, the choice of indicators and the monetisation process are determined by relatively subjective and inter-subjective mechanisms that to some extent render SROI and the valuation dynamics that rely on SROI methodologies open to collaboration, arbitration, or contestation.

Finally, the monetised data recorded in the previous steps are encoded into the SROI coefficient in order to summarise the financial information and generate the total monetised value of the social investment. This plays the function of encapsulating into one single telling figure the entire investment potential and the social benefits that accrue from it. The way this is done is by first calculating total value of the outcomes (quantity of each outcome multiplied by each outcome's financial proxy); deducting for deadweight (what would have happened anyway, expressed in percentages); accounting for attribution (how much is attributable to other inputs, also in percentages); finally, adding everything up. The second stage involves projecting the impact value into the future and subtracting the drop-off from each year that the project will be undertaken. In the third stage, the net present value (NPV) will be calculated. This is done normally by using an established discount rate that accounts for the time value of money (the idea that money today is preferable to money tomorrow due to risk or opportunity cost); however, in the field of social impact investment, this is still a matter of contention and subjective choice: "until the field has enough data to calculate a discount rate that more accurately reflects the true degree of risk undertaken by such programs, there seems no other choice than that of applying a range of discount rates for present use in SROI calculations" (REDF, 2000, p. 154). The discount rates (r) used can range from the benchmark of HM Treasury's public sector rate of 3.5% to venture philanthropists' rate of 24% (REDF, 2000). The present value is then calculated by discounting the future value output, for example:

$$\text{Present Value} = \frac{\substack{Value\ of \\ Impact\ in \\ Year\ 1}}{(1+r)} + \frac{\substack{Value\ of \\ Impact\ in \\ Year\ 2}}{(1+r)^2} + \frac{\substack{Value\ of \\ Impact\ in \\ Year\ 3}}{(1+r)^3} + \frac{\substack{Value\ of \\ Impact\ in \\ Year\ 4}}{(1+r)^4} + \frac{\substack{Value\ of \\ Impact\ in \\ Year\ 5}}{(1+r)^5}$$

After calculating the present value of the impact, the value of the input (the investment) is subtracted to calculate the NPV:

NPV = Present Value – Investment Value

Finally, the SROI coefficient is calculated either in a gross or a net form:

$$\text{SROI ratio} = \frac{Present\ Value}{Investment\ Value}$$

Or

$$\text{Net SROI ratio} = \frac{Net\ Present\ Value}{Investment\ Value}$$

As mentioned above, this ratio will express the monetary value of the project in terms of 'for each £1 of investment, SROI ratio x £1 worth of social value has been generated'.

The image of a single, palpable number has the power to express in a shorthand way the fact that the project has added social value and also show how much in a universal language, that of money. Of course, SROI's main ambition is not simply to assign a monetary value to things; rather, monetisation is a means that incentivises stakeholder engagement, better understand value creation, collect evidence in a more robust manner, and increasing accountability to all stakeholders, from beneficiaries to service providers and investors.

That being said, the strength and selling point of SROI – its capacity for monetisation – is also one of the most abused aspect of this methodology. A meta-study of SROI practices found that the majority of SROI studies conveyed the idea that the SROI ratio was a robust figure that accurately reflected social value creation, with 75 per cent barely reflecting or not reflecting at all on the limitations that their choice of methodology might present, 54 per cent not reflecting at all on what kind of social value, if at all, was created beyond the monetised one, and 53 per cent not including any information regarding the choice of indicators and how slightly different choices might have affected the study (Krlev et al., 2013). At the same time, the temptation of forceful monetisation led to reported cases of adventurous results, such as assigning the monetary value of an adventure trip to a challenging job environment, or that of a two-day self-esteem course to the value of personality formation. Databases such as IRIS do attempt to make metrics and the process of monetisation more comprehensive and homogenous across programmes, but the fact that monetisation is so malleable and specific to each particular intervention means that, at this point, estimation of social impact projects is a highly relative enterprise. It depends to a considerable degree on the latitude of the service providers and their choice of indicators and overall understanding of the theory of change, together with the to some degree spontaneous consensus regarding impact that emerges in the interaction between stakeholders.

Lastly, it should be noted that, by and large, it is not financial actors that are driving the push for using methodologies such as SROI in delivering social services, but the state and non-profit organisations. Only 8 per cent of entities commissioning SROI studies are private companies, 37 per cent are NGOs and 35 per cent are public agencies (Krlev et al., 2013). Especially in the case of Social Impact Bonds, where SROI-type methodologies play a major role, the state has been actively involved in fostering their use, but it has also co-opted non-profits such as the New Economics Foundation in the UK and has established networking platforms and task forces such as the SIITF or the Social Investment Forum for the promotion of social investment and SROI-type metrics. In consequence, by receiving support from across the board, SROI is becoming increasingly popular and refined, but it is unclear whether or not this will crystallise into a homogenous methodology which can be applied uniformly and irrespective of the specificity of the social intervention.

6. Conclusion

After the two state-sponsored Task Forces, SITF and CoSA, provided the groundwork for the creation of a social investment market in the UK, the scene was set for the launch of the world's first social impact bond at Peterborough Prison in 2010. But before that could be accomplished, a couple more bridges needed to be crossed in order to establish more clearly what it was that the project itself sought. And this had to do with figuring out ways of making an SIB operational and implementable. As such, the two steps deemed necessary were, first, the ordering of the actors involved into patterns of interaction that made sense most for maximising social value creation understood as an inclusive, quasi-democratic outcome of cross-societal input gathering, and then the abstraction of impact through conceptual delineation and quantification, in order to link it to financial return and create blended value.

This chapter has therefore analysed these two median steps in the novel valuation process that is the foundation upon which the social investment market was erected: ordering and abstraction. It has shown how, for instance, without the former, the unfolding of a social investment project would transmogrify into a decisional free-for-all which would hinder or even render impossible the sort of novel manner of value creation that is essential to the ideals of this new field. Indeed, the ordering process ensures that input collection is made from across the stakeholder board in a collaborative and horizontal fashion, and that continuous feedback loop channels are maintained open among the latter. This, of course, is made possible not least due to the introduction of network-like features that were shown, in the previous chapter, to be a consequence of NPG reforms occurring both in the UK but also worldwide.

Despite the fact that the many institutions that promoted SIBs employed differing definitions that emphasise some actors at the expense of the others (usually, the investors at the expense of everyone else, most likely because they are the providers of capital), the structure of an SIB was relatively clear-cut: it involved commissioners (local or national governments or foundations), investors (trusts, foundations, institutional investors, high net worth individuals, etc.), service providers (social enterprises, charities, civil society organisations, etc.), and service users (the target population). The ordering process was constructed in such a manner that, in theory, all of the entities involved had a more or less equal say in the undertaking of the impact project. That said, this chapter has pointed out that there were also some variations in the construction of SIBs and some potential imbalances of powers at times that were noticed, which implies that the ordering had a margin of error where the quasi-democratic nature of social value creation was distorted and some actors' inputs weigh more than others'. Regardless of this fact, the main accomplishment of the ordering process was the alignment of incentives, which was indeed a main feature and advantage of social impact programmes like SIBs.

Similarly, without abstraction, social value creation would have been, as argued, if not meaningless, then at least unaccountable. Achieving impact would be, in a sense, an exercise in wishful thinking, were it not for the metrics and methodologies for grasping it conceptually and quantitatively. Abstraction is thus what gives social investment its tangibility. And abstraction was done in a two-stage process: first, the conceptual delineation of the field of impact investment from the sister field of socially responsible investment, and then a conceptual clarification of the notion of 'impact' together with the elaboration of a plan for gauging it numerically.

This chapter has shown that the fundamental distinction between SRI and impact investment turns on the approach to social value creation: whereas the first seeks to negatively screen deleterious investments and thus indirectly and passively create social value via positive externalities, the second actively engages with the generation of social value. And even though both are mission-driven, it is only the second that has, through the notion of blended value, a metrological arsenal to measure impact and thus create accountability. It is only the second that also benefits from a host of new entities and instruments in its quest for social value creation, such as social enterprises, social innovation, social stock exchanges, SIBs, etc. This conceptual delineation was therefore essential as the founding act of the field of social investment.

The latter was followed by a conceptual clarification of the meaning of ‘impact’ itself and by an elaboration of ways of extracting impact data from the projects. This chapter has shown that early attempts at defining impact resulted not in a clear-cut and minute description of its meaning, but rather in a working definition that was employed by the various entities that were engaged in impact investment. But rather than constituting a shortcoming, this proved an advantage, in that this made it flexible and usable enough to allow the market to develop and expand. It was only later, in 2012-2013, that NESTA and EVPA generated a more detailed and rigorous definition that accounted for the many facets of impact creation. Furthermore, in 2014, the G8 SIITF built on this definition of created a four-part methodology for how the measurement process should proceed. At the heart of this rested the ToVC, which would serve as the unique stepping stone and reference point of each social impact programme.

Ordering and abstraction are, therefore, the median stages in the valuation process that characterises finance’s advance in the social policy field. They play a crucial part in the creation and gauging of blended value, and they are the necessary pillars of any solid and accountable social impact project. They also gave birth to a myriad of metrics and metric frameworks, which are crucial for tying financial returns to social outcome and bring investors to fund and leverage social programmes. And as the next chapter will show, they are tied to the spread and promotion of the market for social investment, because they allow standardisation and institutionalisation, which are the last two missing pieces of the new valuation puzzle that characterises finance’s advance in the field of social policy.

Standardisation and institutionalisation: Policy delivery

1. Introduction

This chapter rounds up the investigation of the valuation processes behind the expansion of finance in the field of the pursuit of social policy objectives, by focusing on the last two steps in the entrenchment of blended value and the of practice of social investment, namely standardisation and institutionalisation. The previous chapters analysed how the main parameters of blended value creation had been set through negotiation, selection, ordering, and abstraction. All that was separating social impact investment from becoming a truly transformative public policy practice as well as a legitimate market in itself was the final push for the standardisation of metrics and for the actual institutionalisation of impact investment through law and through international bodies.

By 2009, social impact projects were slowly appearing on the investment horizon. But while at first they did so with considerable ado, their subsequent growth advanced at a decreasing pace. As discussed below, one of the main issues that investors fretted about was the overwhelming and chaotic mushrooming of metrics that appeared after each and every impact programme. To make matters worse, they did so without a sufficient degree of transparency, accountability, and commensurability. That is why, the investors argued, standardisation of the collection of evidence regarding social value and of the performance of social enterprises was a necessary cornerstone before the field of social investment could be institutionalised. In 2009, two such vehicles of standardisation were created: a reporting standard (IRIS) and a ranking system (GIIRS). One was meant to solve the problem of commensurability, the other of rating. But together, they helped standardise the seemingly heterogeneous metrics and increase their transparency and availability through online depositories and firms dedicated specifically to this task.

In a sense, the institutionalisation of blended value was a consequence of all the previous steps taken together. But it was one single event – and this was stated explicitly by various state and non-state actors – that anointed the field of social impact investment with legitimacy and credibility: the launch of the Peterborough Prison Pilot SIB. The launch of the latter was meant to be the state of the art when it comes to social investment programmes and an avatar of future SIBs and other social impact projects. Therefore, the launch of the Peterborough SIB and the promotion and entrenchment of the social investment market are inextricably tied. Furthermore, although the process of standardisation was not in itself necessary for the launch of the first SIB, it was certainly necessary for building up the credibility and sought-after track record that the launch of Peterborough announced. The two are essentially linked, as they are with the other four processes that constitute the valuation infrastructure that allowed finance to advance in the field of social policy.

The noticeable thing about institutionalisation is that it was embedded in a wider political project, without which it might have at least looked different. That project was The Big Society agenda of the Conservative – Lib Dem Coalition that came to power as a result of the 2010 election in the UK. This agenda provided the institutionalisation process with a certain degree of ideological thrust, as social investment could be pitched as addressing purportedly urgent needs that the British electorate faced and demanded in the aftermath of the financial crisis. Though The Big Society agenda was rapidly jettisoned as a wider societal project, later, as part of the G8 summit that took place in London in June 2013 under the UK's presidency, David Cameron retained the social investment dimension of the agenda and made a case for its potential to be socially transformative, by:

> "using the power of finance to tackle the most difficult social problems, problems that have frustrated government after government, country after country, generation after generation […] like drug abuse, youth unemployment, homelessness and even global poverty." (Cameron, 2013)

As part of the pledge he made to also use the UK's G8 presidency to institutionalise social impact investment, Cameron further announced three initial developments: a tax break for social investments, a Social Stock Exchange, and local community funding. At the same time, together with other global leaders, the UK Prime Minister established the Social

Impact Investment Task Force (SIITF), a platform that had the mission of extending the now global scope and depth of the impact investment market. process. The Task Force was incorporated in and succeeded by the Global Social Impact Investment Steering Group in August 2015, which opened to countries beyond the G8.

This way, impact investment slowly made headway into the global political-economic agenda and was institutionalised as a legitimate practice of capital accumulation via social value creation. This chapter analyses this process through first looking at the standardisation of the chaotic and obscure profusion of metrics for social impact, and then by delving into the institutionalising role that the Coalition Government played through its Big Society agenda both domestically and globally. Finally, as it represented the apex of around a decade of many individuals' work, a more detailed analysis of the Pilot SIB is provided.

What this chapter finds is that, in order for the field of social impact investment to become a fully-fledged and legitimate investment practice with the notion of blended value at its core, the valuation process entered a final stage. This stage was comprised of standardisation and institutionalisation, with the former entailing the introduction of an appropriate degree of transparency, accountability, and commensurability at the centre of the collection of social value evidence through the creation of a reporting standard (IRIS) and a ranking system (GIIRS), and the latter encompassing the launch of the world's first SIB at the Peterborough Prison in 2010, but also the enshrinement of social value into law through the Public Services (Social Value) Act of March 2012, as well as the promotion of social impact investment at the G8 meeting in the UK in 2013. Thus, the scene was set for this new field to become a legitimate and viable avenue for delivering, in an innovative manner, social policy projects.

2. High standards for metrics

'Impact' emerged, as established, as a rather elusive concept subject to interpretational labour resolved dynamically and in a network-like fashion across the stakeholder spectrum. But this was not even what mattered most to the social impact investor. For the latter, what mattered was the long-term measurable net social change that can be attributed to the service operator's designated programme scope. This is the case, of course, because the data regarding social return is correlated, contractually, to a specific degree of financial return accruing to investors. Impact metrics, thus, as far as the investors are concerned, are the bedrock of social investment. But when it comes to choosing a metric to gauge impact, what was striking was the diversity, specificity, but also malleability of metrics. Impact metrics are an integral part of the valuation process, but far from resembling the tools of mainstream financial valuation, they are generally minute, bespoke, recombinant, and irreducible to grand formulas.

Indeed, during the past four decades, within and beyond social investment, a profusion of metric frameworks emerged, with reports quoting hundreds of rival methodologies for quantifying impact and social value added, with at times the third sector employing one particular set, governments another, and academia yet another one (Mulgan, 2010). With this mushrooming of metric frameworks came also the increased difficulty of choosing what methodology to utilise in what circumstances, given also the emergence of very distinct and specific metrics coming from independent evaluators. As expected, the confusion stemming from the multifarious metric options stifled the widespread use of metrics for calculating impact. With the development of the social impact market, increasing importance was attached by investors to employing calculative methodologies, due not least to accountability and financial return considerations. Indeed, an impressive 96 per cent of investors stated that they made use of metrics for calculating impact when investing in impact projects, and 70 per cent claimed that standardisation of impact metrics is 'important' or 'very important', even though the same percentage reported using third-party ratings for social impact investment decisions (Saltuk et al., 2013). The choice of metric from the abundance of available options was therefore not forthright, and this constituted a hindrance in the development and spread of the social investment market.

Before 2010, there were a couple of initiatives, mainly market-driven but also receiving the support of some international organisations, to provide a push in the direction of metric standardisation (Nicholls, Nicholls, & Paton, 2015). Among them, the Global Reporting Initiatives (GRI) and the Global Impact Investing Network (GIIN) stand out. GRI was founded in 1997 by the US-based Coalition for Environmentally Responsible Economies and Tellus Institute (a non-profit focusing on sustainability), and received the blessing and support of the UN Environment Programme. Its mandate was to help businesses, governments, and other organisations to apprehend and report the impact that business has on sustainability issues such as climate change, human rights, and corruption, and thus it made the first steps towards emphasising the importance of metric standards. Later on, in 2007, GIIN was conceived with the remit of building critical infrastructure and supporting the expansion of a coherent and consistent impact investing industry, including by engaging in standardisation work. But it was really in 2009 that the issue of metric standardisation came to the fore and became the explicit focus of efforts to provide investors with the infrastructure required to easily navigate the nascent field of impact investment.

And so, in a 2009 report, the Rockefeller Foundation identified satisfying investors' needs as the steppingstone to building the market for impact investment (Barman, 2015). And what the investors required, above all, was for the market to overcome fragmentation and develop a single enabling infrastructure that would make it easy to gauge and compare investing opportunities along both the financial and the social dimensions. The conventional financialisation narrative suggested that, given that these were experienced investors thoroughly equipped with the valuation tools of mainstream financial theory, the valuation processes required in the field of social finance could simply be transplanted from mainstream finance to impact investment. However, the biggest concern of investors turned out to be precisely the nebulousness of the notion and value of social impact, and the inability of financial valuation instruments to provide an appropriate representation and estimate of the latter. There was a perceived need for basic market instruments like the ones available for commercial investors, such as GAAP, Moody's, or portfolio management tools, but these were deemed unsuitable for the nature and complexity of value which was encountered in social finance (Brandenburg, 2012). Therefore, a parallel market infrastructure needed to be constructed, structured around calculative tools or metrics specifically designed for the valuation of social impact.

Two such tools were agreed upon as necessary in the process of standardisation of social value measurement: a reporting standard (IRIS) and a ranking system (GIIRS) (Barman, 2015). IRIS was meant to solve the problem of commensuration: too many social enterprises were pursuing the same goals but in doing so they employed different measures of social impact, leading to a situation in which investment opportunities were not readily and easily available for comparison and selection. Similar to GAAP, it created a standardised framework through which entities operating in the field could file reports and information that was streamlined across the board and thus made comparable. As such, IRIS standardised the metrics utilised in gauging social impact, but it did so in such a way that it did not reduce the flurry of metrics to the lowest common denominator, but rather it maintained multiplicity in accord with the perceived plurality of value creation in the social field (IRIS, 2016).

In other words, not only were the distinct regimes of value – financial and social – preserved, but the second contained its own plurality of meaning which was maintained in the corresponding calculative tools created to grasp it. IRIS now contains a freely-available catalogue of impact metrics, which has already received three overhauls and it encompasses over 550 different metrics that span sectors as different as agriculture, education, energy, environment, financial services, health, housing, community development, land conservation, and water. The IRIS initiative states that the process of catalogue consolidation is in continuous development and open-ended, and it admits input from third party standards, expert working groups, and feedback from users and the public more generally, with updates in the pipeline to be expected every other year. Furthermore, the metrics are not set in stone nor are they mutually exclusive: the process of choosing the metrics that will evaluate impact is thus quite contingent and amenable to tinkering and modification. Standardisation of impact metrics has not meant reduction to a common and homogenous denominator, but proliferation of consolidated and novel measurement frameworks.

The second tool essential to the valuation infrastructure was GIIRS, a ranking system that was meant to evaluate and rate investment opportunities across the social finance spectrum according to the impact social enterprises created (GIIRS, 2010). Like credit rating agencies such as Moody's or Standard and Poor's, GIIRS provided arms-length judgements on the performance of social enterprises, which were evaluated and then ranked based on a specific scoreboard into clear hierarchical structures. Geared, again, towards investors' needs, these hierarchies provided unambiguous information for reducing the uncertainty, complexity, and effort in investment decision-making (Barman, 2015). However, due to the nature of this operation, GIIRS was unlike IRIS in that it did reduce the plurality of meaning to a few common denominators, which constituted the building blocks of the rating system: governance policies, status and treatment of employees, policy towards the environment, policy towards the community, and goods and services provided (GIIRS, 2010). These dimensions were believed to be flexible and encompassing enough in themselves to allow for multiple paths to impact. In other words, behind categorisation still laid multiplicity.

Both IRIS and GIIRS safeguarded a certain degree of multiplicity behind their push for standardisation. That said, an unintended effect of this initiative was to bring into the limelight the existing plurality of metrics and reveal how behind the latter actually lied common assumptions, especially regarding the social reality subject to measurement. Based on the three main theories of accounting, measurement could be conceived as positivist, critical theories, or interpretative (Nicholls, Nicholls, et al., 2015). The positivist view of impact measurement assumed that the act of measuring captures and represents the experiential social reality without other hindrances beside the extent and complexity of the reality that it has to grasp. Impact is produced in a linear manner, stemming from a series of inputs to a series of outputs and eventually outcomes. The mechanics behind the link between inputs and outputs is one of causality, based on a stripped-down logic of 'if…, then…'. This approach is also known as the 'logic model' or ‘theory of change’ (SIITF, 2014), and is one of the most popular framework for measuring social impact. The evaluator endeavours to establish or uncover these positivistic relationships between inputs and outputs, and devise the most efficient strategies for collecting the data required to establish if the impact project is on track to achieving its target. These can range from participatory observation and interviews to surveys and official statistics. The positivistic and rationalistic approach was expressed, for instance, by the way in which ActKnowledge, a social enterprise based at City University of New York, defined ‘theory of change’:

> “At its heart, Theory of Change spells out initiative or program logic. It defines long-term goals and then maps backward to identify changes that need to happen earlier (preconditions). The identified changes are mapped graphically in causal pathways of outcomes, showing each outcome in logical relationship to all the others. Interventions, which are activities and outputs of any sort, are mapped to the outcomes pathway to show what stakeholders think it will take to effect the changes, and when. Theory of Change provides a working model against which to test hypotheses and assumptions about what actions will best bring about the intended outcomes. A given Theory of Change also identifies measurable indicators of success as a roadmap to monitoring and evaluation.” (Taplin, Clark, Collins, & Colby, 2013)

The heavy insistence on logical relationships as well as its capacity for translating measurement into numerical figures or even monetise social value lends this approach a veneer of ‘objectivity’ and ‘scientific rigour’, which explains why it is, in the end, one of the investors’ most preferred frameworks for assessing impact (Nicholls, Nicholls, et al., 2015). Under this category one can find methods as varied as:

1. Cost-benefit analyses – as the name suggests, these calculate, in monetary terms, the ratio between the benefits and costs of a project, then apply a discount rate. Most often, they are used for large-scale public programmes. Acumen Fund’s BACO ration (‘the best available charitable option’) is a famous example: it seeks to quantify impact and compare it to existing similar charitable options by asking

"For each dollar invested, how much social output will this generate over the life of the investment relative to the best available charitable option?" (Acumen Fund, 2007).

2. Experimental methods of choice modelling – these use modelling to reconstruct decision processes of individuals when it comes to alternative goods. RCTs ('randomised controlled trials') are one example: they seek to compare the outcomes of a 'trial' cohort that benefits from an intervention with the outcomes stemming from a randomly selected 'control' cohort that does not, and compare whether preferences have thusly been modified.
3. Behavioural models – similar to the previous, it privileges the notion of choice, thus they rely on stated preferences (asking people how much an outcome is worth to them) or revealed preferences (examining past choices in order to infer how much various options are worth to people) (Mulgan, 2010).
4. Welfare economics models – the well-established branch of economics yields models that are utilised in social impact measurement: public value assessment (similar to the previous but at the aggregate level, it judges how much the public values a service); value-added assessment (how much, for instance, a school adds value to a pupil); QALYs (Quality-Adjusted Life Years) and DALYs (Disability-Adjusted Life Years Assessment) (accounts for a patient's objective health and subjective experiences); and LSA (Life Satisfaction Assessment) (assesses how much extra income would be required for achieved a specific level of life satisfaction) (Mulgan, 2010).
5. Government accounting measures – in accounting for government spending, these use standardised pricing of welfare interventions to account, for instance, for how enterprises affect society (Nicholls, Nicholls, et al., 2015).

This list only covers a handful on methods, with some of them being established in other fields and then lent to the social finance environment and others being very specific to the latter. However dissimilar, they all share the aforementioned positivist assumptions and veneer of 'objectivity', though in practice they are much more pliable and open to further modification and hybridisation.

The second approach of measuring social impact was that predicated on critical theorist assumptions. Although not as popular as the positivist approach that captured the imagination of practitioners in social finance, this approach did manage to produce one of the most talked-about and malleable frameworks for assessing impact: Social Return on Investment (Arvidson, Lyon, McKay, & Moro, 2010; Krlev et al., 2013; Millar & Hall, 2013). SROI, analysed above, had originated as a positivist approach best suited to quantify changes into monetary terms by identifying financial proxies and heeding discount rates, but it subsequently evolved into a principle-based way of involving stakeholders into the calculation processes, thus providing a more well-rounded account of total impact. This way, it moved from a highly technical approach to a set of principles that sought to disclose and overcome the power relationships inherent to impact assessment (i.e. the idea that data collection and reporting ultimately serves more the interests of service deliverers than beneficiaries) and include grassroots stakeholder accounts (Nicholls, Nicholls, et al., 2015). Its development and complexity rendered it a very popular choice for many social investment projects, but it also attracted a lot of misunderstanding and condemnation, especially from the literature critical of the practice of social investment. SROI has been considered to be the motor behind which "the language of finance appears to be gradually invading public policies" (Chiapello, 2014, p. 30), or which transformed society into "a source of wealth to be harnessed" (Dowling & Harvie, 2014, p. 881), or which encourages "a simplistic 'mechanical' model of cause and effect, resting on the notion that an intervention is a singular 'thing' or event which results in a clearly discernible outcome" (McHugh et al., 2013, p. 249), or which, more generally, deepened the agenda of financialisation, which is to say, "not (or not just) that the finance sector is getting bigger, but that financial ways of calculating are becoming more pervasive socially" (Bryan & Rafferty, 2014, p. 891).

Other methods that fell under this heading are 'strategy approaches' such as balanced scorecards and strategy maps, or dashboards (Kaplan & Norton, 1996). Similar to SROI, these approaches are informed by a multidimensional view of the process of change, implicating not only the service providers but internal and external stakeholders, viewed as coalitions and networks formed through their interactions. Balanced scorecards, for instance, were initially conceived as a counterbalance to the dominance of financial concerns at the top, and were meant to reinforce or 'assail' performance interpretation with data from the ground (Nicholls, Nicholls, et al., 2015). Similarly, dashboards provide a wide-ranging view of performance data from disparate sources. All in all, the so-called critical theorist approaches highlighted the foundational power relations that lie at the core of impact assessment and attempt to overcome it through, mainly, participatory methods and a more holistic approach to stakeholder inputs.

Lastly, the third framework for approaching the measurement of social impact was the interpretative one. This approach abandons the assumption of power relationships and takes the participative drive of the previous one even further, integrating stakeholder involvement at an even earlier stage in the process, but also throughout. As such, it privileges communication and debate among concerned parties with regards to the goals of the project, the nature of the intended value creation, its extent, as well as the best way to grasp and represent it. This way, the grassroots participants can aid both in designing the intervention and constructing the appropriate metrics for accounting for it. At the same time, given ongoing stakeholder participation, this means that the methods associated with this framework also create feedback loops that can validate or contest the accuracy of the data being reported, or indeed create another layer of impact simply through this involvement (Nicholls, Nicholls, et al., 2015).

The Outcomes Star model is one such example. It is a metric framework that maps desired outcomes in a star-shaped form with degrees of attainment (e.g. from 1 to 10) on each branch of the star. There are various iterations of the Outcomes Star model suited to the specific sector of which the impact programme is part (for instance, mental health, homelessness, or young people), but the mechanism behind it is the same: both the service deliverer and the service user (the beneficiary) plot how the latter is doing on their way to the stated goals. This is done in a collaborative manner, through the worker and the user deliberating and identifying together the step where the user is on the outcome ladder, at various times throughout the project (every three, six, or twelve months, depending on the project length) and by assigning a numerical score through which the tracking is made easier and more recordable (MacKeith, 2009). The data can then be used not only for tracking or measuring the outcome achieved by the entire project, but also for benchmarking it with national or international averages or even modifying the strategy for achieving impact along the way.

All in all, regardless of their variations in form, the measurement frameworks that transpired as standardisation was being constructed in the field of impact investment revealed an emphasis on grassroots stakeholder priority, engagement, and collaboration. Seeing the beneficiary's judgement of the service as one of the main sources of legitimate knowledge, they attempted to extract as much data as possible from this level. That said, some flexibility was visible here as well. For instance, some of these measurement frameworks could be seen as more participative or more technocratic (for instance, SROI, Outcome Star, and Theory of Change are more participative than the technocratic Randomised Control Trials, Cost-Benefit Analysis, and Statistical Regression). Other could be looked at through the extent to which they integrated more indicators into the measurement or they focus on a single one (SROI, again, together with Multi-Criteria Dimension Analysis are more integrative than the disparate Balanced Scorecards and Extended Intermediate Outcomes), the extent to which they leaned more towards outcomes or towards outputs (Pattern Recognition and Rating System, for instance, do not account for changes in outcome, whereas Before and After Analysis does assess changes in outcomes), or whether or not they sought to assign a monetary value, as SROI did (Reeder & Colantonio, 2013).

Irrespective of the choice of categorisation, there was certainly no lack of metrics for quantifying the amount of impact a specific project has had on a target population. At the same time, this diversity also implied that, beyond the need to create bespoke metrics to suit particular situations, there was no one metric that was as flexible, encompassing, and adaptable so as to be utilised in each and all circumstances. The only one that came close to fulfilling this ideal is SROI, which attempted to transgress the assumptions the positivist, critical theorist, and interpretative perspectives made regarding the nature of social impact, and borrowed insights and methods from each one in a more holistic and adaptive approach to measurement. More generally, though, behind the lure of standardisation, impact assessment – collecting data, measuring, and reporting it – transpired as a relatively fluid, dynamic, and shifting process.

IRIS and GIIRS were the first outfits that pushed standardisation on this rather obscure and unaccountable corner of the market. But their work encourage other parties to complete this work: the non-profit B-Lab and the consultancy Engaged X, for instance, created the ENGAGEDX index – a benchmark set that aggregates historical performance data from across the board of UK social investment in a similarly comparable way – which aimed to deliver a transparent and easily accessible data set that aggregates and make comparable various information from across the anonymised portfolios of existing social investors that engaged in social investment over the period 2002-2014, including, for example, investment performance, default and recovery rates, risk and return profiles, impact pricing discounts. Not least, academia has been a force in direction of standardisation: noteworthy are the Government Performance Lab, Social Impact Bond Lab, and Social Enterprise Initiative at Harvard; the Oxford Impact Investing Programme; or the Centre for Social Innovation at Cambridge.

All in all, through standardisation, the novel valuation process that allowed finance to expand in the social policy field inserted a degree of rationality, transparency, accountability, and choice in the measurement of social value creation, and it did so, paradoxically, by shunning the valuation tools and methodologies available to the same investors that were involved in this field, but that were using, whilst in the mainstream finance environments, comparable but by no means interchangeable valuation instruments in their quest for capital accumulation.

6. The SIB as a *zoon politikon*

No aspect of the novel valuation process that finance utilised in its advance in the social policy field required the institutionalisation stage to be a political act. On the contrary, due to the myriad of non-state actors jumping aboard of the social investment train (foundations, philanthropists, high net worth individuals, charities, social enterprises, etc.), and encouraged by NPG reforms which sought to shift the stress of public policy design and delivery from the state to the private and third sectors, the odds were that institutionalisation would be a bottom-up, private act of legitimation and support. However, it turned out to be precisely the opposite: a political baptism embedded in a wider agenda. But instead of constituting a shortcoming, this political hijacking (and to some extent it was precisely that, given that the Peterborough SIB was in the works for a longer time and constituted the brainchild of a different governing party) represented a boon, because not only did social investment become institutionalised at the state level with the full support of the governing coalition, but it was also institutionalised, though rather less profoundly, at a global level. This section looks at how this final valuation stage unfolded.

1. The Big Society – big expectations

In 2009, as part of the Hugo Young lecture series, David Cameron, then running for the position of prime minister, claimed with candour that a Conservative government would unleash an 'age of austerity' and usher in a 'government of thrift' by clamping down on the public sector: "our plans for school reform, welfare reform and strengthening families plans which might once have been seen as just socially desirable in the age of austerity become economically essential" (Cameron, 2009a). How would the age of austerity translate into public policy? By a fourfold plan of 'delivering more for less': 'public spending control'; 'a new culture of thrift in the government'; curing, not just treating 'big social problems'; and 'imagination and innovation' in the manner in which public policy is fashioned. Given that deep and unprecedented cuts in public spending implied a shrinking state and a central government less capable of delivering social cushions, a new method or idea had to be envisioned that would take up the role of fulfilling public policy objectives: that idea was Cameron's 'Big Society'. While essentially about retrenching the state, The Big Society vision also implied a renewed role for non-state actors, particularly social entrepreneurs, non-governmental organisations, and local communities (Cameron, 2009b). The government's function, at least in theory, would thus shift from that of a provider of social goods to that of a mere formal initiator and mediator between a myriad of other actors that would work together to deliver on their own social needs. In other words, Cameron jumped on the social impact investment bandwagon and integrated blended value into The Big Society project as a founding dimension, though with a renewed understanding of the role of the state in the process.

In between the time the idea was launched at the Hugo Young lecture in November 2009 and the coalition government came to power in May 2010, the vision of The Big Society managed to conquer public minds, so much so that the New Economics Foundation had to expand on the briefing it had produced in July 2010 and publish an extensive response in November in which it wrote that:

> "Far from being a temporary buzz-phrase, as some suspected, the 'Big Society' seems to have taken off and taken hold – in a big way. Across national and local government, across considerable chunks of the business world and great swathes of the third sector, it is a hot topic of discussion and the driver of a massive re-branding exercise, as the phrase is swiftly bolted to countless projects, events and documents." (NEF, 2010)

And social impact investment was thusly part and parcel of The Big Society agenda. But five years onwards, the vision was virtually bankrupt, with no mention of it either outside or inside the government. That said, while The Big Society disappeared from the public imaginary as a discourse, the core implications for public policy reigned on, and reforms ensued. Indeed, the 'political economy of the Big Society', as opposed to the mere 'Big

Society narrative' or ideology, survived and in some respects even thrived (Dowling & Harvie, 2014). And thus the door to institutionalisation was wide open.

What made The Big Society such an appealing programme for the Coalition Government was the relative ease with which it could have been coupled with the austerity agenda. The rolling back of public spending, in order to be effective and convincing to the electorate, had to be coupled with at least a narrative of keeping social policy and welfare objectives on top of the priority list, but reforming them in such a manner that they would become at the same time more efficient than they previously were and less cumbersome on the state budget. Thus the perceived headline problem was to be the 'Big Government', a wasteful, irresponsible, and uncompetitive giant harboured by years of political malpractice: "as the state continued to expand under Labour [1997-2010], our society became more, not less unfair" (Cameron, 2009b). Rather surprisingly, the solution was not simply to retrench the state, but also – *pace* Thatcher and her declaration that 'there is no society' – to foster The Big Society, that is, to devolve the responsibilities of conceiving, putting together, and delivering social policies from the government to a network of local community activists, councils, philanthropic and non-governmental organisations, big business, and other interested actors, and thus rekindling feelings of belonging, generosity, solidarity, responsibility, empowerment, and empathy, which had been "squeezed out by the work of the state" (Cameron, 2009b).

In concrete terms, this translated to three main policy shifts: reducing public spending, decentralising decision making, and opening up and transferring social policy design and delivery to a host of new actors (the last two much like the NPG reforms ushered in by the previous government) – see Table 5. With regards to public spending, The Big Society integrated the austerity agenda and proposed spending cuts to services as various as childcare, homelessness, leisure programmes, third-sector programmes, and local councils. Welfare spending worth £7 billion was scrapped in addition to the £11 billion already announced in the June 2010 budget (NEF, 2010). These cuts would help reduce the deficit and improve the fiscal responsibility and sustainability of the state under the coalition programme. With regards to decision-making and the role of the state in society, the Conservative Prime Minister reckoned that the dire social state in which Britain found itself was due to a highly centralised and burdensome state, inhibiting progressive social aims, atomising society, and leading to feelings of apathy and irresponsibility (Cameron, 2009b). By decentralising decision-making and devolving power to local communities and individuals – for instance, by letting parents take over a school or communities establishing a local school – it would re-enfranchise civil society, open decision making to horizontal structures and re-kindle ‘long-lost British virtues’ such as responsibility, solidarity and duty (Ashton, 2010). With regards to the social policy and the public sector, it was considered that the distanced and hierarchical manner in which social policy was designed hampered adaptability and efficacy, that the sheltered and monolithic nature of implementation rendered it uncompetitive and devoid of vision, and that the heavily bureaucracy characteristic of a centralised structure inevitably led to impersonal and unserviceable policies. Contrary to this, transferring and opening up social policy making to networks of various actors would modernise and improve the design and delivery of social services by encouraging social entrepreneurship, stimulating social capital, and putting together the resources of actors as various as volunteers, communities, charities, businesses, and other local actors in order to create hitherto unprecedented capabilities for bespoke and flexible action and innovative collaboration. The affinity of this political agenda with the social investment sector was reason enough to give the latter pride of place in The Big Society programme and engage in a process of institutionalisation that proved in the end more consequential for the impact market itself than for the political odds of the Coalition Government.

Coalition Programme	**Public spending**	**Decision making**	**Social policy**
Perceived problem: **'Big Government'**	Excessive, Wasteful, Creating unsustainable indebtedness	Central, Closed, 'Inhibiting', Fostering social apathy and irresponsibility	Hierarchical, Inadaptable, Monolithic, Unimaginative, Uncompetitive
Proposed solution: **'Big Society'**	Reduced, Responsible, Austerity, Sustainable	Decentralised, Open, Empowering local communities and activists	Horizontal, Networks, Social entrepreneurship, Innovative, Social investment market

Table 5. Coalition Programme

In order to get the ball rolling – so 'that The Big Society advances as Big Government retreats' (Cameron, 2009b) – a host of new institutions were put into place, including The Big Society Bank (to provide start-up for social enterprises), The Big Society Network (to promote The Big Society ethos), a national Citizens' Service (to instil the virtue of voluntarism in 16 year olds), the Office for Civil Society (to replace the Office of the Third Sector), and others (NEF, 2010). While some of these institutions were indeed established, others remained at the level of rhetoric, only to be whitewashed a couple of years after. The Conservatives' programme, picked up by the Coalition Government, encompassed thus a strong ideological component (The Big Society) that represented both a deepening of Thatcherism (in the form of the idea of devolving power from the state) and a move away from it (in the form of the idea of harbouring social sentiments and curing the twin ills of atomisation and disempowerment), together with a restructuring plan for social services that had at the core precisely the goal of creating a grassroots social investment network and market. Thus, the institutionalisation of blended value and social investment was conceived as being an integral part of a grander political vision that should materialise within the lifetime of the Conservative-Lib Dem government.

2. The Big Society – final act

For all the excitement and debates that The Big Society vision sparked soon after it was announced, in the longer term it proved to be quite an ephemeral agenda and yielded few concrete policies. Before long, the media and public opinion response to The Big Society became mixed at best, within academia the reaction was almost unanimously negative and vehement. That said, when stripped of its fleeting ideology, the political economy of The Big Society did make its mark on the public sector in one single but essential area – the institutionalisation of the social investment market (Dowling & Harvie, 2014).

No wonder, though, that the wider societal project of The Big Society agenda did not pan out. There were quite a few explanations for this. One academic article, for instance, looking specifically at the aforementioned 'inhibiting' effect of centralised decision-making, constructed a powerful three-fold argument that showed that a withdrawal of material and professional government support of the volunteering sector did not lead to less atomisation and social apathy, but more (Bartels, Cozzi, & Mantovan, 2013). By constructing an ideal(ised) Big Society classical economic model of a balanced budget, full employment and rational individuals, and looking at optimal time allocation between working and volunteering in an environment of dynamic public spending and inversely dynamic taxation (in order to maintain the budget balanced), it showed that decreasing public expenditure has the consequence of decreasing the likelihood of employed individuals to take up volunteering (given the ensuing utility function). Similarly, by undertaking an econometric analysis of two data sets (British Household Panel Survey and European Values Survey), it concluded that agents decided to volunteer most frequently when public spending was available and/or increased. These two perspectives were finally corroborated with a qualitative analysis of 19 interviews that brought to the fore the importance of the availability of a volunteering infrastructure and a feeling of it being a worthwhile, collaborative activity between local authorities and volunteers. All in all, the grand conclusion of the study was that "in contrast to the crowding-out effect underlying The Big Society, the analysis shows that more government expenditure actually increases the probability of volunteering" (Bartels et al., 2013, p. 349).

Other scholars addressed another essential characteristic of The Big Society programme, namely localism. Localism, the proposition that local individuals and communities should take charge of decision-making instead of central authorities, was an aspect of Cameron's vision that was enshrined in the Localism Act of 2011, and was supposed to be the legal backbone on which the policy package would unfold. Though adopted, it failed to produce the assumed deliverable, as the mayor of Hackney made clear in an article published in the Guardian (2013a). One of the reasons provided was the fact that The Big Society programme was driven more by political expediency rather than by ideological commitments. Indeed, even though Big Society drew on an eclectic mix of political values – from one-nation Conservatism (the emphasis on building virtuous and strong society and promoting integration), from Thatcherism (the importance of market mechanisms, the suspicion towards the state and the entrepreneurial role of the individual), from New Labour (the importance of civil society in empowering communities), from the Liberal Democrats (local community liberalism) – the Liberalism Act and the Spending Review of 2011 made it clear that decentralisation and liberalisation were the corollary of the deep spending cuts to which the Conservatives committed themselves: "while local authorities and other bodies at the local level will not have as much money, they will have much greater freedom to be innovative in the way that they work and support their communities" (Lowndes & Pratchett, 2012, p. 25). The fact that the consequences of the localism narrative were not as self-explanatory and intuitive as the coalition government made them sound was further proven when Liverpool dropped out of Big Society vanguard community pilot due to lack of funding (BBC, 2011).

A more profound explanation looked at the socio-philosophical foundations of The Big Society vision in the form of social capital, a theory that emphases networks of trust and reciprocity that arise within communities and reflect back upon them in a self-reproducing manner, as developed by Putnam in his influential article (Putnam, 1995). The Conservative programme, while it tried to build on this body of research, missed out on two essential aspects of the theory: one, the importance of bridging (inclusive) social capital as opposed to bonding (exclusive) social capital, which was the remit of The Big Society narrative; and two, the fact that where social capital is lacking, it cannot simply spontaneously re-emerge, particularly in a context of cuts to local services (Westwood, 2011). What the article was suggesting was that The Big Society had been bound to fail from the outset given that it did not support nor guide local communities towards the global economy and towards the new media as means of harnessing social capital and unleashing what it called the "local multiplier effect" (Westwood, 2011, p. 700).

In many ways then, The Big Society's transformational horizon was doomed to fail. That said, while at the start of 2012 even the Occupy London movement and related protests started making a mockery of Cameron's vision, causing him to slowly begin dropping the idea at the discursive level, The Big Society engineers continued pushing through with reforms and enshrining Big Society values in public acts, albeit with a narrower focus now. And thus began the institutionalisation of the social investment market. In a sense, the latter survived or even thrived despite the demise of The Big Society agenda. Or because of it, depending on the perspective.

Still, with great fanfare, on the 10th of September 2010, the market for social impact investment was institutionalised via the launch of the world's first SIB at the Peterborough Prison in the presence of the Justice Secretary Kenneth Clarke and the Prisons Minister Crispin Blunt (FT, 2010). All of the valuation work put in the processes of negotiation, selection, ordering, abstraction, standardisation, and institutionalisation had their culmination in the inauguration of the Pilot SIB, which received much media coverage and was expected, at all cost, to run smoothly and successfully. The next section will look into more detail at how this unfolded exactly.

Suffice it to say, though, that the launch of the Peterborough SIB, in which so many state and non-state actors invested (financially and beyond), did not exhaust the process of institutionalisation. On the contrary, a project that was meant to run for about seven years and was pitched as a pilot ring-fenced for building credibility and track-record, was not even superseded, but indeed supplemented with other forms of institutionalisation. Thus, not even close to the completion of the first SIB, the UK government enshrined the Public Services (Social Value) Act of March 2012. This Act required anyone who was commissioning public services to take into account questions not only of efficiency of delivery, but also of the wider social impact, and to include, when possible, all stakeholders into the decision making and delivery process, in order to secure 'more value for money'. Social value would be a necessary (positive) externality in any public service procurement following the coming into force of the Social Value Act, engaging more of the concerned actors and ultimately providing, in theory at least, more tailored, effective and innovative services.

At the same time, social value would not restrict itself to being a mere communication prescription of engaging the multiple stakeholders involved and musing upon the myriad of ways in which a service delivery could improve social issues beyond the narrow goal of that particular service, but it would also be a blueprint for quantifying social value added and monetising it in order to incentivise private investment. In other words, it was clear that the political economy of The Big Society was advancing in the operation of public services provision. And while the coalition government inherited some 30 years of public services reform that resulted in a motley mix of hierarchical, market, and network governance structures (Painter, 2011), the austerity agenda provided a legitimising opportunity for further revamp and a solid impetus for developing the social impact market programme that would result in the proliferation of financial institutions and innovations such as the SIB or the Social Stock Exchange.

In fact, the latter is an example of how the institutionalisation process marched on, incentivised not by the (as yet) non-existent track-record of SIBs, but simply by the opportunity of capital accumulation that new valuation processes opened up. Indeed, the Social Stock Exchange was announced by the same David Cameron at the G8 summit that took place in London in June 2013 under the UK's presidency. Heir to The Big Society legacy, the Prime Minister made the case for the societally transformative potential of finance, and announced, in front of G8 countries, a tax break for social investments, the aforementioned Social Stock Exchange, and local community funding. Furthermore, it institutionalised social investment globally, by establishing, together with other global leaders, the Social Impact Investment Task Force (SIITF), a platform that had the mission of globally extending the scope and depth of the impact investment market. The Task Force was incorporated in and succeeded by the Global Social Impact Investment Steering Group in August 2015, which opened to countries beyond the G8. But on a global level, the cherry on the institutionalisation cake was neatly placed by the US in 2014, which followed suit and introduced the Social Bond Act, an Act that would require the Secretary of the Treasury to seek proposals from states for SIB projects that produced measurable outcomes, and that provided funds for feasibility studies.

It is no surprise that due to all of these efforts at institutionalisation the market for social investment and SIBs grew exponentially over the past seven years. That said, it is still the Peterborough Pilot that had the biggest impact upon institutionalisation, given that it is the one that is generally provided as a reference point for most impact projects pitched to investors. In consequence, the last section turns to it.

3. Show time at Peterborough

The Peterborough Prison SIB was the world's first Social Impact Bond, and was meant, besides, of course, addressing the social issues it was constructed to help overcome, to establish a track-record for a financial instrument that was deemed game-changing for the manner in which welfare would be delivered. In other words, it was a clear metonymy meant to illustrate the state-of-the-art in social investment and provide the sufficient credibility and legitimacy necessary for its institutionalisation. The social area that was chosen to be part of the first social impact bond was that of criminal justice. The choice made by Social Finance, as mentioned, was a simple one: based on a number of reports from across the UK, it turned out that short-sentenced prisoners (serving a sentence of less than one year), displayed a very high degree of reoffending, with almost 60 per cent being re-convicted of at least one offence in the twelve months pursuing their release (Nicholls & Tomkinson, 2015). Social Finance thus partnered with the Ministry of Justice (MoJ) and HM Treasury to design a pioneering social impact bond in the area of criminal justice. In doing so, Social Finance brought together a multitude of actors from across the social spectrum, including criminal experts, staff working in prisons, relevant voluntary organisations, local stakeholders, and last but not least, investors. What emerged from this collaboration was the model SIB structure that would inform all the subsequent iterations at a global level, and that rested on a value form – blended value – that was a decade into making and that became foundational to the entire social investment field.

Contractual design

The Peterborough SIB started its operation in September 2010, but the contracts had been signed half a year beforehand. At the centre of the structure lied Social Impact Partnership, a form of special purpose vehicle or limited partnership that would function as the contracting entity of the entire SIB. In charge of managing the service delivery agencies was The One* Service, a multi-agency partnership comprising, among others, St Giles Trust, SOVA (organisation providing community-based volunteers), MIND (a mental health organisation), and The Ormiston Trust (a local charity). At two ends of the SIB were the governmental commissioners (The Ministry of Justice and The Big Lottery Fund) who would provide payments in case social outcomes meet the targets established at the outset, and the investors who provide upfront working capital, take on the risk of the project not meeting those targets, and receive a variable rate of return depending on the degree of success. The MoJ-commissioned report (MoJ, 2011) identified an ordering of the actors that was divided into six contractual relationships between:

1. MoJ and Social Impact Partnership
2. Social Impact Partnership and investors
3. Social Impact Partnership and service providers
4. MoJ and independent assessors
5. MoJ and Peterborough Prison Management ltd.
6. Social Finance and the Big Lottery Fund

Figure 7 attempts to provide a stylised overview of the SIB structure.

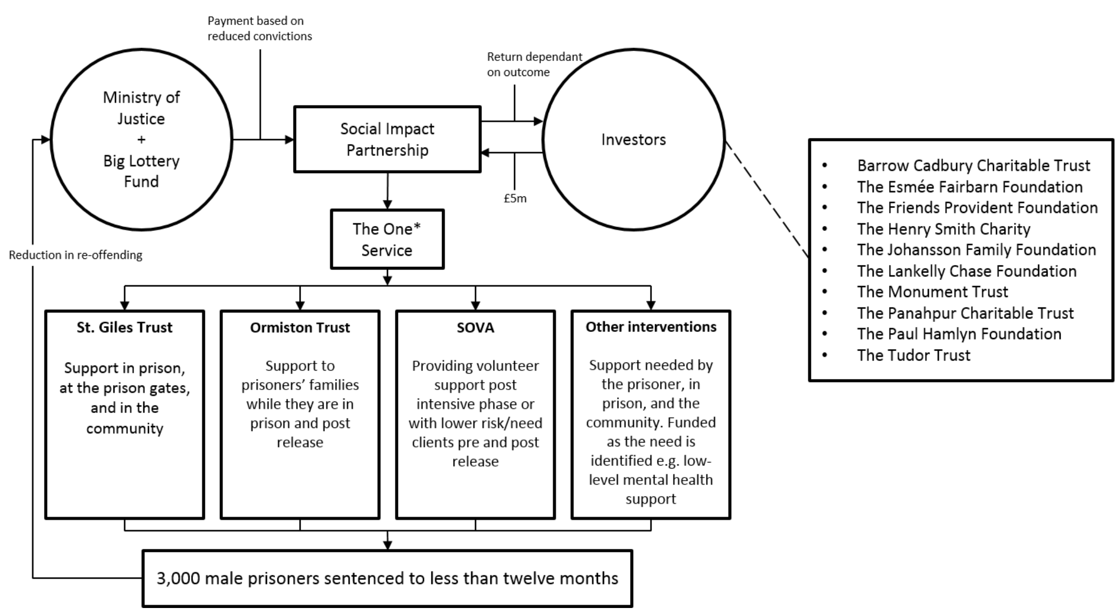


Figure 7. The Peterborough Social Impact Bond. Adapted from Nicholls and Tomkinson (2015)

The MoJ report notes that “there was consensus among the interviewees from Social Finance, Ministry of Justice Procurement and HM Treasury that the SIB represented an entirely new funding model for service provision” (2011, p. 13). Not only the contractual arrangement, but also the financing and commissioning involved the in the SIB were perceived to be different from the traditional manner in which governments operate in service delivery. This aspect translated also into the fact that the SIB was perceived as being very complex and time-consuming to develop analytically, which also led some small foundations to imitate and adopt the investment decisions of larger ones in a logic of ‘if it’s good enough for [them], it’s good enough for us’ (MoJ, 2011, p. 15). Especially complex was considered to be the development of the benchmarks for measuring outcomes and the payment model.

Through the contractual arrangement, financial risk was transferred from the government and service providers onto social investors. The MoJ and the Big Lottery Fund were required to only honour the payments in case reoffending was reduced to pre-established levels, while service providers were paid upfront by the investors, independent of final outcomes. The risk that many parties involved did acknowledge was reputational: due to the widespread media coverage, domestically but also internationally, a great deal of reputational pressure was inherent to the project. The entities delivering the services were particularly concerned about this aspect, but it was also considered that in their case this would replace the issue of lack of incentives due to upfront payment. The investors considered that this did not really apply in their case, as their feeling was one of having fulfilled their mission, regardless of the outcome, by investing in the SIB. Of course, financial risk was a crux of the matter in their case.

All in all, the report pointed out that while the contractual arrangement was tailor-made to address the specific issue of reoffending, many aspects of its design were transferable to future SIBs, particularly expensive and time-consuming activities such as specialist legal and tax advice. Of course, different policy domains require different approaches, but the backbone of the contractual arrangement appeared to be malleable and imitable. Lastly, it seemed that the fact that the SIB project would take place in a prison did not pose additional challenges, suggesting that implementation, regardless of the area of social policy, was not a noteworthy obstacle to the proliferation of SIBs (MoJ, 2011).

Investment and repayment structure

The rationale behind the use of SIBs to fund public services, as mentioned before, includes the gathering of funds for preventative projects that would otherwise not be available from the state budget. In this regard, Social Finance managed to attract a pool of investment of around £5 million from 17 investors, mainly from charities and foundations[6] such as: the Barrow Cadbury Trust, the Esmée Fairbairn Foundation, the Friends Provident Foundation, the Henry Smith Charity, the Johansson Family Foundation, the Lankelly Chase Foundation, the Monument Trust, the Panahpur Charitable Trust, the Paul Hamlyn Foundation, and the Tudor Trust (HM SSJ, SIP, & Social Finance, 2010). The investment managed to attract more funding than is usually available, given that more than half of the value of the investment as well as half of the number of investors in the SIB structure utilised their endowment or invested in the area of criminal justice for the first time.

Investment in the SIB project was open ended, meaning that while the project commences with upfront funding, additional raising of funds is possible throughout the lifetime of the SIB. Not all the funding provided by investors would yield a return, given that some investors funded the SIB through grants (for which no return was expected), while others provided endowment capital (which seeks a return). Some of the issues that were reported by the investors in the SIB structure was that there was no track-record as yet and that there was no exit possibility, given the absence of a secondary market (MoJ, 2011). Evidently, overcoming these issues was precisely the mission of the pilot SIB.

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[6] As mentioned above, because the Peterborough SIB was considered a pilot project intended to build a track-record for a novel asset class, it was established from the outset that the investor outreach would only encompass charities and foundations. That said, the MoJ report notes that: "some high net-worth individuals also had invested in the SIB, but they had not been identified" (MoJ, 2011, p. 25).

The repayment structure was tied to the outcome achieved and could therefore vary. The threshold that would trigger a repayment was a reduction in re-offending of 10 per cent in any of the three cohorts of 1,000 ex-offenders chosen for this project, or an overall reduction of 7.5 per cent across the total of 3,000 ex-offenders. If the minimum improvement were attained, then a minimum payment equivalent to a return of 2.5 per cent per year would be made by the MoJ and the Big Lottery Fund to the Social Impact Partnership SPV and through it further to investors (MoJ, 2011). If the SIB achieved greater outcomes beyond the threshold, this would materialise in gradually increasing returns of up to £7 million in real terms, which would amount to 13 per cent annual IRR (internal rate of return). Total payments to investors from the Ministry of Justice and the Big Lottery Fund were capped at £8 million, with the possibility that, if the intervention did not cross the threshold, investors would lose their entire pledged capital (Nicholls & Tomkinson, 2015). The value per each reduced reconviction event was negotiated between the MoJ and Social Finance before the start of the project, but it remained undisclosed (MoJ, 2014b).

While the contract stipulated one particular return profile dependent on the outcomes achieved, the investors funding the SIB were driven by varying investment rationalities. To reiterate, as they were coming from all corners of the social investment spectrum, some investors expected zero return and 100 per cent capital loss (foundations making grants), others expected repayment of pledged capital together with a varying degree of return (a smaller figure for more mission-driven endowment capital, a higher one for venture philanthropy capital and high net worth individuals). Some reported that, in this particular case, a choice of blended return was preferred instead of conventional grant making (MoJ, 2011). In other words, the fact that a financial return was available for a project that was meant to address and reduce a specific social risk (re-offending or criminality) was reason enough for some investors (foundations especially) to switch from grant-making to seeking a profit. That aside, the Peterborough Pilot SIB consolidated a funding structure that brought together a consortium of investors with different investment rationalities and risk-return expectations. While some were traditional financial actors, others came from the newly-emergent practice of venture philanthropy and social investment more generally. In the end, this implied that the rationalities behind the various investments in (at least) the first SIB were heterogeneous and impossible to pin down to one specific denominator.

Service delivery

The social intervention part of the first SIB was delivered under the auspices of The One* Service, an organisation driving the project and managing the relationships between the various service providers involved. In its turn, The One* Service was managed by Social Finance and, of course, was funded through the first social impact bond (Social Finance, 2011). It started its operations in September 2010 and was targeted at all short-sentenced men leaving HMP Peterborough. As part of its intervention programme, it offered help with things such as: accommodation, accessing benefits, acquiring an ID, mental and physical issues, substance abuse, family relationships, education and training, and career and work experience. The One* Service was also in charge of collecting outcome data and reporting it further in order to measure impact and assess the appropriate financial return that investors were due. The manner in which The One* Service envisaged and conducted the programme made the social intervention flexible and fluid, which ultimately led it to support various changes throughout its lifetime. New actors were thus involved in the programme, old actors changed their conventional methods, and new parameters were included the quest to achieve impact. All these factors contributed, in the end, to the palpable impact that the service delivery attained.

The One* Service did not develop or employ a specific theory of change. The service delivery was “pragmatic and client-led with the mix of activities for each cohort member determined by caseworkers” (MoJ, 2014b, p. 21). It was therefore not driven by an explicit overarching framework for understanding how social change comes about. On the contrary, there was a great deal of scope for learning as the project went along. That said, at the basic level, there was an agreement as to how the intervention would develop. There were three steps in which the intervention model would advance: initial contact while the offender is in prison; upon release from prison; and during the weeks following release and in the longer term. To deliver the core activities, The One* Service initially contracted four organisations: the St. Giles Trust[7] and the Ormiston Trust[8] would focus on the period before release and immediately after, while SOVA[9] and YMCA[10] would focus on the longer term needs of the ex-offender (Social Finance, 2011). The contract was due to last seven years, but the sub-contracts with the service providers were subject to annual renewal, which meant that either the contracts could be reformulated, or the providers could be changed. Indeed, this did occur when providers or the services they delivered changed along the way. For instance, the contract which stipulated that YMCA was required to provide local volunteers was not renewed (Nicholls & Tomkinson, 2015). That said, the flexibility ingrained in the contract was meant to ensure impact attainment more than anything else.

Despite the lack of an explicit theory a change, the manner in which the service delivery would unfold disclosed an implicit understanding of social value creation. Within the prison, the offenders were individually met by a Connections Worker who introduced them to The One* Service (Nicholls & Tomkinson, 2015). The Connections Workers amounted to a total of four, and were themselves prisoners serving a long-term sentence who had volunteered to participate in the project and undertook training to become peer support workers by completing the three-month long Level 3 NVQ Certificate in Information, Advice, and Guidance delivered by the St. Giles Trust. After they introduced the offenders to the work of SIB intervention, if found eligible, the latter went through an interview which became the foundation for all future interactions. The interview was then scanned and sent to a One* Service caseworker, who conducted a more in-depth interview with the offender and discussed with him the needs that he might have upon release and the sort of services the programme could deliver. The programme provided a mentor as well: a volunteer managed by SOVA in the case of low risk/need, or a caseworker working for St. Giles Trust in the case of higher risk/need. Upon release, the caseworkers helped

[7] A charity working with ex-offenders and disadvantaged people to reintegrate them into society.
[8] A charity working to improve the life chances of children and young people.
[9] A charity focusing on helping English and Welsh communities prevent crime and live healthier lives.
[10] Oldest charity in the world working to help young people play an active and fulfilling role in communities.

ex-offenders attend meetings and find accommodation. During the second year of delivery, The One* Service commission MIND to provide mental health support at the release stage as well, initially as a spot-purchased block of six appointments (as was the service delivery model of MIND), and later in the third year as one-day weekly meeting both with offenders serving and ex-offenders (MoJ, 2014b, 2015). This need was identified and addressed as the programme was developing. Similarly, Ormiston's after-release interventions were expanded to include while-in-prison support for family members. Furthermore, a position for a landlord liaison caseworker was created by SOVA, as well as a residential construction and highways training centre established with the help of Job Deal and a former trainer from John Laing Training. Finally, during the third year, The One* Service became a Jobcentre Plus 'approved activity', which implied that if any of the offenders engage in the SIB programme, they would be eligible to receive benefits. Throughout, values such as the right to housing, benefits, an ID, mental and physical health, family, education, training, and work were prioritised and were implicit aims of re-fashioning ex-offenders into functioning citizens as part of the goal of reducing social risk and creating social value.

The flexibility and fluidity that underpinned service delivery were complemented by the design that aimed at maximising the efficiency of the intervention. For instance, the service providers were grouped together in the same building next to the Peterborough Prison, making the experience of interaction with The One* Service easier and more straight-forward. Furthermore, it was established from the very start that data sharing was to be completely transparent (Nicholls & Tomkinson, 2015). This was done through the use of the same data system, Meganexus, which attached all the information to a client's individual record, and it made it available, upon permission, to all actors involved in the programme. The result was that this streamlined the interaction with ex-offenders and facilitated collaboration between service providers, while building up transparent evidence and record for future reference.

The methodology for calculating the impact of the intervention – or, in other words, the abstraction process – was developed by QinetiQ and the University of Leicester (MoJ, 2012). QinetiQ is a multinational defence technology company, formed in 2001 when the UK Ministry of Defence split its Defence Evaluation and Research Agency into two, and privatised the larger part under the name of QinetiQ[11]. QinetiQ mainly provides technology-based products and services, but it also has a large research and development department and provides tests and evaluations. The team at the University of Leicester was led by Darrick Jolliffe, a criminology expert whose main focus area is the application of quantitative data analysis on the evaluation of reoffending-reduction programmes. Now a Professor of Criminology at University of Greenwich, he has been involved in projects assessing the impact of probation on reoffending, reoffending amongst females at risk, and has been a consultant for the Home Office on the issue of domestic violence protection orders. Together, QinetiQ and the team from University of Leicester formed what was called the ‘Independent Assessor’, and developed a methodology to assess impact tailored to the Peterborough SIB intervention, called propensity score matching (PSM) (MoJ, 2014a). As the financial reward due to investors was tied to impact achieved, the Independent Assessor bore the brunt of measuring outcomes.

The purpose of the PSM methodology was to provide the groundwork for the creation of a Comparison Group against which the Treatment Group (the Peterborough cohorts) could be compared. It rested on the assumption that, had it not been for the SIB intervention, the two Groups would be quasi-identical. The choice of utilising a Comparison Group had already been made by the MoJ and Social Finance and it presented the following mechanism: first, the reconviction frequency would be calculated (the number of reconvictions per the 1,000 ex-offenders cohorts over the 12 months following release, calculated by using data from the Police National Computer); second, the data

[11] https://www.qinetiq.com/about-us/our-history

will be compared to data from a Comparison Group; third, payment will be made according to the contract established (HM SSJ et al., 2010). The Independent Assessor was in charge of calculating the latter, using the PSM methodology. As such, it was required to create the Comparison Group, develop the baseline reference number of reconvictions using that Group, and, finally, compare and calculate the payment according to the formula provided by the MoJ and Social Finance.

Utilising a data set from 2008, the Independent Assessor developed the PSM methodology between February and October 2011 (MoJ, 2012). The methodology worked by employing logistic regression to model group membership, and was thus used to generate the Comparison Group and control for the observable differences between the Treatment Group and the Comparison Group. The latter comprised over 9,000 ex-offenders from across the UK, which means that a matching ratio of almost 10:1 was utilised throughout the calculations, as required by the MoJ. That said, the ratio and the numbers were slightly relaxed in order to prioritise closeness of match over the rigidity of the ratio number. Throughout, though, the objective remained to expand as much as possible the number of comparison elements.

In order to extract the data for the first cohort, two databases were used. One came from the Police National Computer, and comprised information regarding individuals who have been recently cautioned, convicted, or arrested, together with fingerprints and DNA, as well as information regarding vehicles, drives, or property. The second database was the Prisons Data Store, which was comprised of information that included personal details, offence description, and sentence or disciplinary facts. The data set relevant was to include all the prisoners released after serving less than 12 months in the same time period as the cohorts. After the extraction of the data, a process of quality assessment followed together with the application of data restriction in order to appropriately create the Comparison Group. Thus, from all the resultant 31,207 (MoJ, 2014a) individuals, the ones who would not be comparable with the HMP Peterborough cohorts on criteria of age, released on date of sentence, time in custody, prison type, and data availability were eliminated from the data set (MoJ, 2012). The relevant prisons from which the Comparison Group was formed were all-male prisons from across the UK and totalled a number of 35.

After the data set was established, logistic regression was applied in order to create the PSM model. For this, 36 variables such as following were included: nationality/ethnicity, age at first offence, number of previous offences, convictions, or incarcerations, copas score (speed of convictions across a criminal career), length of sentence, time served, type of offence (24 types were included), and others. Geographical information was not considered as relevant as all the other variables so it was excluded. Nationality was included, due to the fact that HMP Peterborough had an unusually high proportion of non-British nationals, but it was conflated with ethnicity (defined as white, black, or other), rather than incorporated alongside it. This made it possible to account for different ethnicities under the same nationality. The categories ended up containing a minimum of 16 individuals. To make sure that each individual was comparable to up to ten others, a standard of closeness was established (or a 'calliper') at the level of 0.05. Matching was done without replacement, meaning that each member of the Comparison Group could match only one individual from the Treatment Group.

After data restrictions were applied, the PSM model was created and the Comparison Group defined. This resulted in a number of 936 individuals released from HMP Peterborough (out of the proposed first cohort of 1,000), matched with 9,360 ex-offenders from the other 35 UK prisons. The resulting re-conviction ratios after the intervention were 1.42 court convictions per person for the SIB cohort, as compared to 1.55 per person for the Comparison Group. This meant that the intervention achieved an 8.39% reduction in re-convictions, which was below the 10% agreed with the SIB Partnership to be considered a legitimate outcome, thus a payment to investors was not triggered. At the same time, this made reaching the minimum average figure of 7.5% (for the three cohorts) a promising possibility (Nicholls & Tomkinson, 2015). However, as mentioned above, the programme proved appealing as at the state level, thus it was nationalised, and the SIB was interrupted at the end of June 2015. That said, the Pilot SIB was almost unanimously considered a success, and so was the process of institutionalisation which it represented.

7. Conclusion

This chapter analysed the last two stages of the novel valuation processes that streamlined finance's advance in the social policy field, namely standardisation and institutionalisation. The two processes represent the final steps in the creation, legitimation, and promotion of blended value and of the social impact investment market itself. Together with the previous valuation processes, they help not only entrench this field domestically, but also promote it internationally, so much so that it now spans the global varieties of contemporary capitalism.

The issue that made standardisation such a salient factor for the impact market was that, before the actual inauguration of the first SIB, a profusion of metrics for assessing social value creation had already sprung up, but they did so in a rather chaotic manner, without an appropriate degree of transparency, accountability, and commensurability. Investors fretted that this not only hinders the scope of the market, but also prevents them from making efficient and rational investment choices, and thus discourages them from entering the market. That is why they argued that standardisation of the collection of social value evidence was paramount to the field before it could be institutionalised. And thus, IRIS and GIIRS were created.

What IRIS and GIIRS accomplished was essentially to introduce standardisation across the metric board. They did this in two ways. First, IRIS solved the problem of incommensurability: the many social enterprises that were operating in the market pursued the same overarching goal – creating various degrees and forms of social value – but were utilising different measures of value creation, which often enough were proprietary and unavailable. Similar to what GAAP is for accounting, IRIS was established as a standardised framework for enterprises operating in the field to file reports and metric information that was streamlined across the board and thus made comparable. IRIS standardised existing metrics, but not by reducing them to a handful, rather by maintaining multiplicity in accord with the perceived plurality of value creation in the social field. Furthermore, it created a freely-available catalogue of metrics, which now encompasses over 550 different metrics spanning sectors as different as education, energy, health, or community development. Second, GIIRS was created as a benchmark for social enterprises by establishing a standardised scoreboard against which social enterprises would be ranked. Not unlike credit rating agencies such as Moody's or Standard and Poor's, GIIRS attended to investors' need for easily-accessible information regarding service deliverers' performance in order to make capital allocation more efficient. Unlike IRIS, GIIRS reduced plurality to a few common denominators: governance policies, status and treatment of employees, policy towards the environment, and goods and services provided.

This process of standardisation also had the effect of casting light upon the approach of social enterprises to social value measurement. It surfaced that some of them utilised positivist frameworks emphasising linear causality, others critical theorist frameworks which underlined the need for surpassing hidden but foundational power relations, and other still interpretative frameworks focused on communicative action. All in all, what standardisation revealed was that there was a profusion of different metrics employed in the field, with most being created for relatively unique and bespoke project, and with none coming close enough to SROI in terms of flexibility, adaptability, and scope.

Once standardisation was resolved, the scene was set for the institutionalisation of the social investment market alongside its core notion of blended value. Institutionalisation represented the culmination of the novel valuation process that underpins finance's advance in the field of social policy, and it was most potently expressed through the launch of the world's first SIB at the Peterborough Prison in 2010. The reason for saying this is that the pilot SIB was not simply another social impact instrument among many, but in fact represented the epitome and state of the art in the field, and it was promoted and undergirded by a significant degree of supportive political capital. The Peterborough SIB was meant essentially to provide credibility and legitimacy to the field of social investment, and create an incipient track record for a novel avenue of social policy design and delivery.

That said, instead of it unfolding as a simple market baptism event, the Peterborough SIB launch and the idea of SIBs more generally were embedded in a wider political vision with which the Conservative-Lib Dem Coalition came to power in 2010 – 'The Big Society'. The latter was in direct contradistinction with the outgoing New Labour government that implemented many of the new NPG reforms that led to the creation of the social investment market and from which the Coalition Government benefitted. The main difference between the two turned on the vision regarding the state's role in society, which New Labour saw as a mutually reinforcing one. The Coalition Government condemned this as reckless, wasteful, and inhibiting, and proposed a retrenchment of the state, together with the ushering in of an age of austerity, decentralisation, and voluntarism. Because it became much maligned and criticised, the Coalition Government shunned the overarching project, but the vision survived in practice through its emphasis on social impact investment, which seemed to vindicate some of the values espoused in proposed through The Big Society agenda: localism, social entrepreneurship, and fiscal responsibility.

And thus, the Conservative-Lib Dem duumvirate launched the Peterborough SIB with much fanfare, and through it institutionalised blended value and social investment more generally. Moreover, before long, the UK government enshrined social value into law through the Public Services (Social Value) Act of March 2012, requiring anyone commissioning public services to conform to the principles of blended value and include into the design and delivery processes stakeholders from across the board. Finally, in 2013, in front of an international audience composed of G8 heads of state, David Cameron played his final act as headmaster of the impact investment vision and announced a social stock exchange, tax breaks for social investment, and local community funding. To make sure that his belief in the transformative power of social finance was perpetuated internationally, he established, together with other global leaders, SIITF, a platform with the mission to extend the global reach of the social impact investment market. After more than a decade of valuation work, social finance was finally anointed as a legitimate, worthwhile, and viable avenue for delivering innovative social policy programmes.

Conclusion

1. Restatement of the argument

The guiding aim of this thesis was to investigate the expansion of finance into areas usually relegated to the state's role as a provider of welfare. Change is the norm in all things human; but the last three to five decades have arguably seen, at least in the economic arena, change on a faster scale: from the recession of the early 80s, the 'new economy' of the 1990s, to the dotcom crash of the early 2000s, the housing bubble of later 2000s, and its aftermath in the financial crisis. These transformations were mirrored also by changes occurring in the state's function of delivering safety nets for individuals to weather the pernicious consequences of these and other economic infelicities. The privatisation or downsizing of some of these state-provided safety nets is one example; another one is precisely the emergence of social impact investment as an alternative and more efficient route to pursue social policy objectives.

Many authors have singled out one particular development that stands as the backdrop to these events, and in some cases acts, arguably, as an enabling factor: financialisation. It is the latter that has been identified as the motor behind the advent of social impact investment. Seeking a financial return out of programmes intended to create social value added does indeed seem to be a conspicuous instance of financialisation. Impact investment seems to be creating new frontiers of capital accumulation for actors coming from the financial sphere. And innovative financial instruments like social impact bonds or social stocks contribute to the accrual of more profits in the financial sphere, thus vindicating one way of understanding financialisation (Krippner, 2005). In a sense, then, it is true that social investment is a specific iteration of financialisation, but most if not all of the extant studies that claim this only look at social investment as simply more of the same – another field that is simply integrated or created for the integration into a financial logic. They omit looking at how this process of financialisation actually occurs and what are the mechanics behind the co-imbrication of the social and the financial. They mostly look at the end product and at the consequences it has for the expansion of the financial sphere. This thesis went out on a limb and analysed what it is that underlies this development.

Of course, various perspectives have been outlined to understand financialisation and the growing role of finance in contemporary society (see van der Zwan, 2014). But the approach adopted here is, as argued, more encompassing and 'more' explanatory, at least in the sense that it can account not only for the end product of financialisation and its operation, but also for the undergirding causes and connexions allowing this process to occur. The approach was first proposed by Chiapello (2014), though that first attempt was criticised above for falling short of its ambitions due to the under-utilisation or indeed mis-utilisation of its own premises. Nonetheless, on the basis of that proposal, this thesis adopted the valuation framework described in Chapter 3, which seeks to look at the valuation processes sustaining the expansion of finance, particularly through the purported replication or introduction of financial actors, instruments, and models in non-financial realms in order to gauge non-financial value as financial. So far, this mechanism has been understood in a unidirectional manner, with financial entities simply capturing or extending over the latter process. The perspective sketched here emphasised that this narrative is found wanting in explaining the financialisation of social policy. That is the case because what can be encountered in the field of social impact investment is a new, hybridised value form – blended value – that is the result of an entire valuation process involving a new governance structure, a more complex fauna of actors, and a proliferation of endogenous tools, models, metrics, and protocols, which are tasked with grasping and accounting for social value creation as distinctly separate – though not independent – from financial value creation. This valuation process has been shown to follow a six-step path on the way to the entrenchment of a new value form: negotiation, selection, ordering, abstraction, standardisation, and, finally, institutionalisation. These steps are distinct and involve different actors and processes, though they might overlap chronologically. Regardless, the result is still the same: financialisation, in this case, occurs by providing the impetus for the creation and safeguarding of limiting spaces to which the financial imagery cannot provide satisfactory answers. And the outcome is distinct from traditional valuation processes undertaken in the financial field.

As opposed to the financialisation paradigm, which suggests that social investment is a form of the encroachment of financial forms of valuation, the findings of this thesis imply that the valuation processes created and mobilised here are the result of the multifaceted and multivalent labour undertaken at the initiative of the UK state and with the aid of trans-societal actors, all of this happening against the backdrop of a particular epistemological approach to the reality to be intervened upon – the social – and of established practices of governing the social and pricing social risk. It is the combination of these aspects that leads to the emergence of the new field of social impact investment.

The idea that social investment is a result of the extension of a 'calculative logic' to the field of social policy has been an important feature in understanding the financialisation of this area. For instance, the insight that financial expansion is underpinned by the expansion of the 'derivative form' to other spheres of social existence (Bryan & Rafferty, 2014) has been especially salient because it opens up new avenues for thinking through the link between the financial and the social. This thesis has jumped on that wave and has taken the investigation further, by looking at the ramifications of this expansion upon the aforementioned spheres. The results have been surprising: what has occurred through the advance of financialisation is in fact the proliferation of non-financial spaces of valuation, as seen in Figure 8.

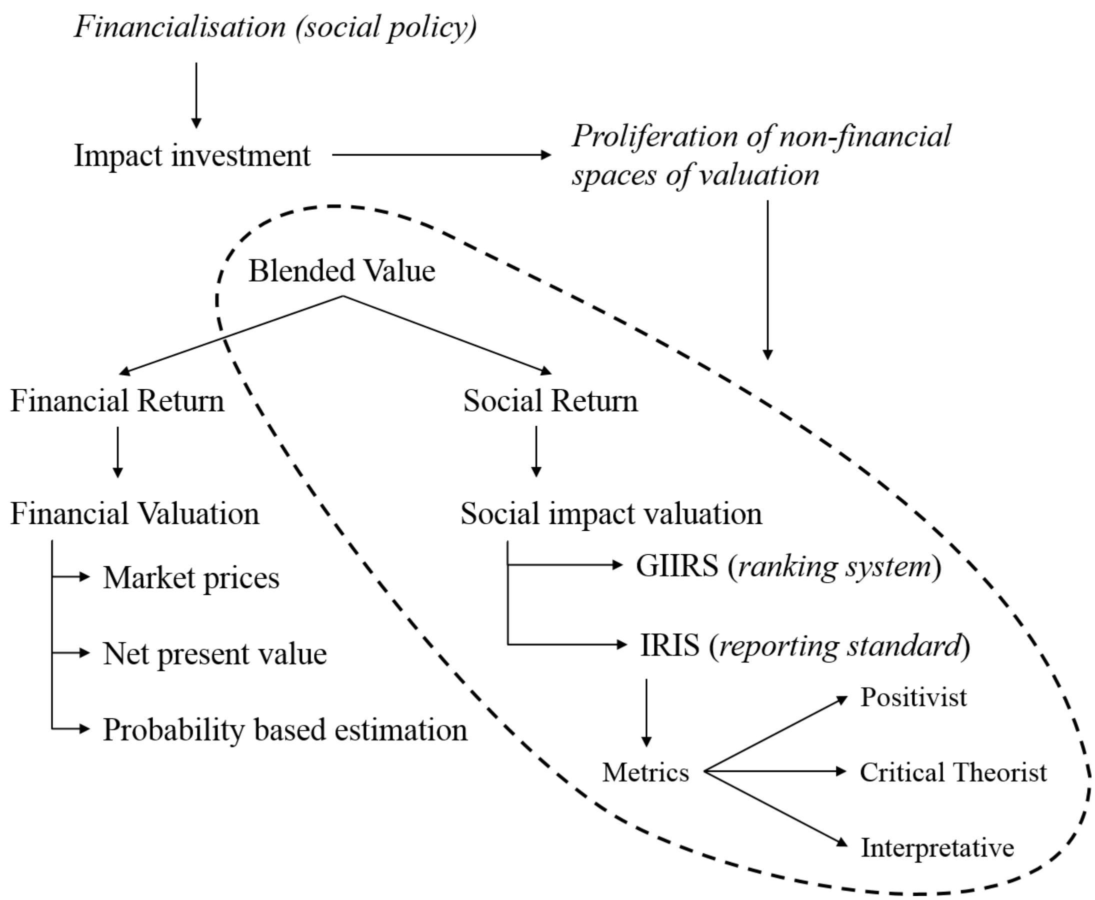

Figure 8. The proliferation of non-financial spaces of valuation in the field of social impact investment

That said, there is one sense in which the idea of the extension of a 'calculative logic' is not a novel insight. If what is meant by the latter is that statistical methods and other means possessing a veneer of objectivity or quantification are applied to social matters, then this is old news. On the one hand, it is old news in that the process of the quantification of social realities is in fact much older, spanning back to the advent of social policy itself. Indeed, social investment relies on an understanding of managing populations or social groups through the statistical and numerical apprehension of social dynamics and the pricing away of specific aspects of those dynamics. At the time of the inception of forms of welfare states, this took place through practices of social insurance, which identified the 'norm' within social dynamics, and relegated deviations from the norm as social risk, which cannot be eliminated but can be priced away. In the field of social impact investment, this takes place through the quantitative apprehension of potential degrees of social impact upon social 'realities', and, similarly, their pricing away to financial actors.

On the other hand, the framework outlined here reveals that it is indeed a new practice which is predicated on new forms and processes of valuation. Just to illustrate, take the ordering process: as outlined above, the infrastructure that organises actors' interaction in this new social policy delivery arrangement is one based on horizontality and network-like forms of collaboration that rely on feedback loops, and with the state only concerned with the parameters of interaction, thus, in other words, tasked simply with the overseeing of the process of governance and not actual top-down administration. This, of course, is a feature that characterises not only impact investment as a new form of achieving social impact, but one that has to be linked also with secular transformations occurring in the fashion in which the pursuit of social policy objectives is undertaken. Indeed, it has been pointed out how there has been a discontinuity in the practice of administering public policy, with several succeeding framework being identifiable: an old, top-down, command and control, hierarchical model which came increasingly closer to obsolescence at the beginning of the 1970s; a newer model that replaced the older one and that was posited on the idea of the government working more 'like' business as well as 'through' business, thus replacing 'command and control' with 'command, but not control', via competitive tendering, disaggregation into semi-autonomous structures, and performance incentivisation; and the newest new public governance, which is as yet still in its infancy but whom has the trend in its favour, and which relies on a new understanding of governing – one that opens it up and takes place increasingly at the interstices between state, the third sector, and markets.

During the UK Coalition Government of 2010-2015, this institutional component interacted with the ideological dimension of The Big Society agenda, which sought to solve the perceived problem of a wasteful, inadaptable, uncompetitive 'Big Government' fostering social apathy and irresponsibility by replacing it with the ethos of a responsible, sustainable, entrepreneurial 'Big Society' empowering local communities and social innovation. That said, many of these ideas and promises did not come to fruition, with one important exception: that of promoting the social investment market. Institutions and initiatives such as Big Society Capital, the Localism Act of 2011, or the Public Services (Social Value) Act of 2012 – all essential to the field – are palpable realities still present in our time. Social investment, and SIBs particularly, gave materiality to the Conservatives' agenda, which, in turn, supported the proliferation of the SIB model and provided institutional legitimacy for its entrenchment. The double narrative of the burdensome state and the age of austerity worked to not only open up the channels of social policy delivery to horizontal and network-like structures of governance, but also to facilitate the advance of finance in the arena.

But while the coming of age of novel financial instruments such as SIBs could have easily tanked if not for The Big Society agenda, the story of their advent – and indeed of the very financialisation of social policy delivery – has been shown to be driven by different authors, and stretching to at least a decade before the launch of The Big Society agenda. Ever since the early 2000s, New Labour – who was not only quintessential in helping create and implement NPG reforms, but was also among the first to jump on the bandwagon and navigate the new linkages and channels created – was laying the groundwork for the development of a social impact investment market in the UK. The manner in which it did this was through the creation of two platforms that drew on a motley amalgamation of trans-societal actors: from the voluntary sector, media and academia, the business sector, banking and finance, and associations and co-operatives. SITF and CoSA mediated between the value plurality carried along by their members and worked to provide both moral legitimacy and institutional support for the idea and practice of impact investment. SITF focused more on conceptually delineating the field from its sister practices of philanthropy and socially responsible investment, but was also crucially involved in the writing of supporting legislation with the aid, through its 11 members, of multi-actor input, and in the creation of a host of channels for the fostering of social impact investment capital. CoSA, on the other hand, alongside conceptual and logistical work, concentrated most of its efforts on nurturing and promoting the idea of 'social action', which is the mainstay of social impact investment and which was operationalised also via the garnering of forces from its 15 trans-societal actors. CoSA also provided the gateway for the creation of a new funding model which eventually translated into the launch of the world's first SIB at Peterborough in 2010.

SIBs, in fact, mimic the structure of NPG reforms, and rely on the principles of constant communication, (self-)reflection, and feedback loops as input-providing avenues in the decision-making and policy delivery processes. Most SIB projects rely on the elaboration of a Theory of Value Creation, which not only reflects how the actors involved construe social value creation in that particular case, but also becomes a guiding framework for the measurement and accounting of impact. This, as argued above, is decided upon at the level of the service providers or social enterprises, and less so at the level of the financial institution providing the capital, though the latter can be sometimes involved to a larger extent.

The most important implication of these observations is that financialisation, in the field of social policy, occurs not so much through *absorption* into a financial logic, but more through the *proliferation* of non-financial spaces of valuation. Blended value, as described above in Figure 8, is thus a symptom of the creation of a novel socio-technical infrastructure for gauging social value as connected to but ultimately distinct from financial value. This is most visible in the panoply of metrics that are created for calculating impact. The most impressive fact about these is not that there already are more than 550 versions of them, but that the quest for institutionalising and standardising metrics – through platforms such as IRIS – has not resulted in the reduction in the multiplicity of approaches to quantifying impact, but, on the contrary, in an explosion of different metric frameworks and indicators. And this is to be expected, given that the process of gathering performance data is reliant on inputs from across a stakeholder board that is shifting and changing every single time a new project appears. Some metrics are more technocratic, some are more participative, but most of the time there is a clear and heavy-handed negotiation between all the stakeholders. This, of course, does not make it immune to imbalances of power, but the result is still the same: inputs regarding impact, which are tied to the financial rewards social investors reap, are cross-sectorial and negotiated, and this renders the valuation process much more complex and unique in its various guises, as well as potentially contestable.

This ultimately leads to the emergence of a site in which a plurality of divergent values co-exist and are institutionalised through the practice of social impact investment. The emergence of a market in financial instruments that fund social projects therefore does not necessarily imply the financialisation of that field and it does not necessarily preclude the development and consolidation of other forms of value within it. Financial innovation can be accompanied and supported by alternate and multiple forms of value. 'Blended value' is the perfect example of a foundational feature of a new sector that is not resolved simply through the extension of financial forms of valuations, but through the envisaging of new forms of non-financial valuation. The latter preserve the specificity of social (and, in some cases, environmental) value, and engender various socio-technical devices that allow said value to be evidenced and measured. Thus, various meanings and forms of value co-exist in the field of social investment, and actors operating in the field have no qualms in pursuing, to varying degrees, one alongside the other. Impact is, therefore, not evidenced through financialised forms of valuation, but through measurement processes following negotiated calculations relying on metric specificity and a form of policy delivery based on cross-sectorial interaction, feedback loops, and process governing. This aspect, though, should not be fetishised – after all, it is a social process subject to power struggles and imbalances – but neither should it be assumed that social impact investment is a priori a product of financialisation. Financialisation is a misnomer, but the quantification of social value, on which impact investment is predicated, is a reality; whether this is beneficial or detrimental is an important, albeit different, issue.

2. Avenues for further research

While the main thrust of this thesis was to understand the manner in which financialisation expands into and engulfs the field of social policy, there are many ramifications of this analysis that can become steppingstones for further research. The framework outlined above can provide, on the basis of the pillars founding it, avenues for further understanding changes brought about by these new valuation processes. So, for instance, future studies can look at what kind of opportunities are created by the New Public Governance infrastructure crystallised by the New Labour government in the UK, what kind of inherent models of ordering and interaction are being thus created, and to what end; or they can look at what kind of actors are now populating this new infrastructure – not just in the field of social policy – and with what values and intentions, and facing what kind of power imbalances or struggles in their quest for achieving their aim; or they can analyse what kind of values the so-called 'calculative devices' entrench as per the outlined argument that any process of calculation or quantification belies a process of qualification, which ultimately comes to define and delineate a specific field as such. On the other hand, for the more theoretically inclined, research can move in the direction of unpacking what these new social impact instruments reveal about their originators' understanding of 'the social', social risk, or social value creation, and what these conceptions reveal about a potential new form of managing populations, because, as described above, any epistemological enterprise is also an act of rendering reality amenable to change and transformation.

But beyond these and similar ramifications of the main analysis, three grander issues tackled by this thesis can constitute particularly fertile entry points for further research. First is the valuation framework, which set the tone and direction of this research. As mentioned above, the study of value as constructed-in-action is still a nascent discipline, and the valuation studies undertaken so far have come short of providing the principles and stages that could come together to constitute a definite framework for the analysis of phenomena through the lens of their value construction. There clearly already was a feature stemming from the economic sociology origin of valuation studies which emphasised the *agencement* or material-semiotic nature of value construction. In other words, and similar to actor network theory, individuals, ideas, processes, things, etc. were already put on the same plane and analysed with equal weight in accounting for the existence of a specific phenomenon. However, no systematised perspective had been put forth. This thesis has made an attempt to provide just that.

The six-stage valuation framework presented here is a transferable heuristic tool, particularly when there is a need for understanding the value basis that underpins various phenomena. The explanatory power of this framework is encapsulated in its ability to account for value creation as a process occurring sequentially and being, at the same time, exploratory, systematising, and politicising. The valuation processes of negotiation, selection, ordering, abstraction, standardisation, and institutionalisation can take place separately or can overlap, can have equal power in making phenomena comprehensible or can afford more explanatory force to one stage or the other. Regardless, the crux of the matter is that it is only by following the entire process of worth attribution that a more comprehensive account of a phenomenon can be provided. Thus, first comes the analysis, then comes the explanation; first come the stages that allow particular actors to negotiate new value forms and select new arenas for their application or illustration, to establish a particular ordering and patterns of interaction which will characterise the latter, together with the means of evidencing its accomplishment, to standardise the latter so that they become replicable, accessible, and transparent, and institutionalise by force of example or perhaps law the new value form thus created, and it is only after this specific journey has been travelled that the particular imbalances and inequalities can be identified and evidenced.

The power of this framework is that out of the complexity described previously emerges the simplicity of a six-step process which can be recycled into the analysis of other phenomena, particularly when we are facing a plurality of values which are not easily reconcilable but have to be combined for a variety of reasons. The interaction between environmental value and international development goals with financial value creation is one such example. The question here, like in the case of social impact investment, is not what new non-financial spaces are introduced in a financial logic, but whether or not we are witnessing, as a condition of possibility of the expansion of finance, the creation, preservation, and eventually propagation of novel non-financial values? If so, what do those values stand for? Who are the actors involved? And what channels of interaction and communication are available for them? This way, a more encompassing and explanatory account of financialisation can be provided.

The second avenue that this analysis opens up is the one described in the introduction: the role of the state in the process of financialisation. One of the insights coming out of the valuation perspective applied upon the case study of contemporary social policy delivery is that the state was quintessential in the process of financial innovation that resulted in the creation of novel financial instruments such as social impact bonds. State actors were, of course, not the only ones involved in this process; they were aided by actors coming from the different professional backgrounds summoned together by the opportunities opened up by the new governance infrastructure. That said, it was ultimately state actors that provided the impetus for the harbouring of a social investment market, especially the New Labour Government under Tony Blair and then Gordon Brown, but also the Coalition Government of David Cameron and Nick Clegg. But more than the mere impetus, it was the brainstorming platforms of trans-societal actors – the Social Investment Task Force and the Council on Social Action – set up by New Labour with the remit of fostering a market in social investment that were consequential in developing appropriate legislation, institutional support, and linkages across civil society, business, and governmental offices, and that provided the groundwork for the blossoming of the impact investment field in the UK, and indeed, by example, worldwide.

This insight has important consequences for discussions regarding the intersection between finance and the state. Too often, this relationship is either systematically ignored or construed in a such a manner so that it appears that the state only has a passive role in financial matters, thus either as a rule-setter or as a consumer or manager of financial products. These issues are insightful: deregulation or, more so, re-regulation[12] goes a long way in explaining how states bring about financialisation via changing the legislation governing the scope of finance; similarly, the increasingly important role of sovereign debt and debt management offices, ever since the 1980s, in macroeconomic governance can explain the increasing quantitative mushrooming of financial entities, as can the profusion of sovereign wealth funds as strategic state investment funds gobbling up equities and securities of all colours, and thus contributing to the demand for investables[13].

But what this study has shown is that research on financialisation can also benefit from moving in the direction of looking at the state as a prime mover and as directly involved in the process of financialisation, through looking at it either as an innovator itself or as an active purveyor of the means for expanding the reach of finance via different channels. Social impact investment is precisely an example of the latter, and what this study has

[12] There is an argument that 'deregulation' might not be the most adequate description for what happened during the period that has led to the current state of globalisation and global state competition. Indeed, the globalisation literature has been accused of being fraught with a semantic misunderstanding regarding deregulation: "People tend to use the term 'deregulation' indiscriminately to refer both to the introduction of more competition within a market (what I shall call liberalisation) and the reduction or elimination of government regulations (what I shall call deregulation) – as if these two were naturally associated" (Vogel, 1996, p. 3). Cases of deregulation, understood in the second sense, have been very rare; in fact, what happened throughout the world in the past couple of decades falls under the former category, of liberalisation accompanied by re-regulation, which can take the form of even more regulation (see also Vestergaard, 2008). This re-regulation can sometimes undermine government control over the industry (by handicapping incumbents or helping competitors; adding regulation to facilitate the efficiency of markets; reinforcing antitrust legislation) or enhance it (by providing domestic firms with regulatory advantages; by taking away, through regulation, advantages for foreign firms; by protecting domestic firms in the face of liberalisation).

[13] The idea that the state can do more in markets than merely shape them or structure their foundations has recently been highlighted in an article analysing how governments in emerging markets act increasingly as financial market players (Datz, 2008). States are engaging in supplying and consuming financial innovation and they increasingly employ private valuation methods to achieve public goals. That said, what is understood here through this purported new practice is the manner in which governments increasingly adopt market-like behaviour regarding their debt management activity and regarding the way in which they diversify their assets. Thus, debt management offices, which proliferated especially in advanced countries, increasingly operate as autonomous entities in a specialised manner and according to transparent risk preferences, thereby resembling private funds. At the other end there are the sovereign wealth funds (SWFs) set up by capital exporting countries, which operate through strategic long-term investment, and not simply as a fund for rainy days (see also Helleiner & Lundblad, 2008). SWFs, in the build-up to the financial crisis, but also in the deflation aftermath, gradually started moving away from investing in long-term, low-interest rate, low-risk assets to higher risk and higher yield equities and securities. This way, (some) states have become yield seeking investors. That said, this still only touches upon the demand side, that is, governments as consuming financial innovation, not producing it. The issue with this perspective is that it does not take the argument far enough: states also produce financial innovation.

shown, among other things, is that the state can harbour financialisation as means or as a result of pursuing public policy. But this direction of research should not stop here; there are other examples of this process which are under-explored. One such example that has been touched upon but which still lacks a definitive account, as mentioned before, is the role of the state in the production of the very process of securitisation, whose by-products were so crucial in the build-up to the financial crisis. There are only a handful of studies that acknowledge the role that government sponsored enterprises (GSEs) played in the design and promotion of mortgage backed securities (MBSs), not as an initiative of developing financial markets, but precisely as means of pursuing public policy. And securitisation is the backbone that channels capital not just for fulfilling housing policy, but also for other things ranging from student loans (thus education) to solar photovoltaic assets (thus environmental goals). Research can thus benefit from looking at instances in which through the pursuit of public policy objectives the states engages, actively, in financialisation.

Finally, and connected to the issue of financial innovation, another fertile avenue for further research is an aspect mentioned also in the introduction: the relationship between social investment and austerity. As is well-documented, the sustained expansion of the financial sector was ground to a (temporary) halt by the US credit crunch of 2008 and the subsequent international banking crisis and global recession of massive proportions. While the initial response to the crisis was rapid and equally massive, involving internationally coordinated monetary and fiscal stimulus, the bailout of banks and other financial institutions quickly morphed, in Europe, into a full-blown sovereign debt crisis with the prospect of defaults and various national exits from the EU or the Eurozone looming high in the old continent. As opposed to the US, where the Federal Reserve embarked on a massive programme of quantitative easing that eventually repaired banks' balance sheets, the Eurozone, due to (initial) institutional constraints as well as issues of popular legitimacy, used as its response-policy of choice the adoption of continent-wide austerity measures, reviving thus quaint ideas of moral rectitude and dubious economic theories.

One of the questions that were posed as a result of these developments was what should now be the relationship between state and finance when it comes to welfare provision? This was asked in an environment in which the default response was to withdraw state support from welfare and channel it towards healing the financial sector with the hope of eventual trickle-down economics, though the need for extra support for social policy in the context of austerity, which reinforces welfare demands, was pending. One seeming answer to the question of the ideal arrangement between state, finance, and welfare was given in the UK: social impact investment. And the most powerful case for engaging in social investment was made by the UK Coalition Government of 2010-2015, in which David Cameron associated the idea of The Big Society – fitting as it was with the trans-societal, multi-input, limited governmental intervention ethos of social impact bonds – with the new contemporary situation characterised by the advent of an age of austerity. The solution to that was that social investment would make up for the depleted coffers of the exchequer by channelling funds from capital markets in areas with high social risk. That said, while this ideological component acted as a *dynamo* for the spread of financial instruments like social impact bonds in the UK context, it is surprising to find that many other countries that refused or did not need to implement austerity measures jumped on the bandwagon of social impact investment straight away and not just as a result of private sector initiative, but as a state-promoted project of drawing resources from financial markets into social policy programmes. Some examples include Australia, Germany, the Netherlands, and even the US. These countries did not engage in widespread austerity policies, yet they wholeheartedly adopted social impact bonds as legitimate and efficient means of funding social programmes. Comparative projects on why this occurs are scarce, and while austerity has a great degree of explanatory power in the UK, it makes less sense in countries with a budgetary surplus. The idea that they potentially are a harbinger for austerity is also improbable, thus a comparative project spanning the varieties of capitalism that SIBs cut through could provide a great deal of clarification on this matter.

3. Concluding thoughts

Seven years into the state-sponsored launch of the very first social impact bond globally, SIBs have assumed a life of their own. They seem to have accumulated sufficient a track record to propagate worldwide and motivate ever more countries to implement legislation, create institutions, and attract organisations that would facilitate and hasten up their adoption. Furthermore, ever more slices of social existence – from criminal justice and homelessness to mental health and earthquake rehabilitation – are being touched by this model of achieving social policy objectives via financialisation as an avenue for reducing social risk. To the already existing 74 impact bonds a further 70 bonds in development are to be added which puts SIBs on track to doubling in size in a time span as short as a couple of years. This means that the advent of social investment as a mature asset class with a potential secondary market and exit options is indeed nigh.

This study has explained the consequent financialisation of social policy delivery through tracing a six-stage valuation process divided into three parts:

1. A more exploratory part comprised of negotiation and selection, where the meaning and purpose of a new value form is negotiated, followed by the selection of a slice of social reality where the new value form should be adopted, implemented, or circulated.
2. A more systematising part consisting of ordering and abstraction, where ordering the interaction of actors participating in the creation of the new value form is decided upon, after which the methods for abstracting the value creation are established, in order to provide evidential data.
3. A public act of standardisation, which could include the creation of classifications, benchmarks, and performance indicators in an accessible, homogeneous, and transparent fashion, followed by an essentially political act of institutionalisation through the adoption of national and international acts or treaties for entrenchment and promotion of the new value form.

It is the unfolding of these processes engendering a new value infrastructure that facilitates the advance of finance in the field of social policy, and this study has shown that this advance would not have been possible without the concomitant proliferation of non-financial spaces of valuation. Regardless of the latter, social investment can still easily be construed as an instance of 'financialisation', and, more often than not, this latter term is construed in a pejorative manner, as denoting an anomaly of economic systems in which speculative or money managing activities take precedent over the imperatives of the 'real' economy. But there is nothing that indicates that financialisation is inherently pernicious; rather, financialisation is much easier understood, in a pragmatist vein, as a political-economic strategy fulfilling specific functions in particular varieties of capitalism. In other words, it is its uses that make the difference. The same is the case with social investment – there is arguably nothing to indicate that it is inherently detrimental to society at large. Rather, it should be seen as an outgrowth of a specific valuation process which creates opportunities as much as it creates risks. Social investment is then an odd beast, predicated as it is on being mission-oriented and on the having the ability to serve as a complementary instrument or all-out surrogate to more traditional means of delivering public policy. It can indeed design preventative and early intervention programmes, which are politically unpalatable and generally circumvented as part of run of the mill programmes because of their more elusive, long-term, and risky nature. It can also provide a more innovative model of policy delivery, with a more stakeholder oriented implementation and a more outcome intensive accountability.

That said, as much as social investment is predicated on social value creation, so it is – maybe to a lesser extent, in some cases, but still as a foundational feature – on financial value. The notion of 'blended value' turns precisely on this balancing game between social return and financial return, and while in many cases public social return is prioritised, private financial return always lurks in the background as a *sine qua non* of this new form of social policy delivery. And when the fact that rates of financial return can reach 30 per cent or even more is taken into account, the 'background' dimension becomes a blatant euphemism, especially in an environment of ultra-low interest rates and prolonged deflation. It is unclear why a society should maintain the social pact when exorbitant profit – coming, ultimately, from the taxpayer – is made out of programmes that were – and still are, to some extent – the remit of the state as a safety net and welfare provider. Why should global banks such as Goldman Sachs, Bank of America Merrill Lynch, or JP Morgan Chase and Co. be the recipients of these financial flows when state agencies could have easily stepped in and did the exact same job with no additional costs? How is this even different from mere privatisation? The value added of bringing upfront funding from capital markets is yet to be proven, particularly in an environment where so far risk has not really been borne by capital providers, that is, when accounting for the grants, subsidies, and guarantees bequeathed on these project by governments. It is actually hard to believe that these guarantees will vanish any time soon, given that the risk is too high and politically sensitive for governments to let SIBs fail. And a powerful case can be developed that the eventual creation of a secondary market that would create exit options for investors in the potential absence of state guarantees is morally repugnant when people's livelihoods or wellbeing are at stake. The solution of cherry-picking social needs that are easily cosmeticised and monetised is equally reprehensible. How can all of these contradictions, and many more lingering at the corners of social investment, ever be reconciled?

Perhaps they will indeed never be reconciled. In some ways, what this research shows is that when one opens the black-box of the valuation processes at play in the field of social impact investment, a surprising fact emerges: the issue of 'hostile worlds' can simply be bypassed. Social impact creation can be given pride of place, can be stimulated and indeed brought about by staffing social impact projects with competent and mission-oriented people, can make real, positive changes in people's lives, all the while new capital is extracted and accrues in the background. Impact can then hit the headlines, and everyone can take credit, as long as the investors do not disclose or boast about their profits.

It is perhaps even more so the case with SIBs, which are grander in scale, involve a higher degree of risk, and therefore require more capital and greater returns than, say, a simple investment in a local social enterprise employing ex-offenders or in a social bank extending micro-credit to the financially excluded. SIBs in many cases rely on investment from HNWIs, which are notoriously risk-adverse but also yield-seeking, and thus require various forms of guarantees that their hard-earned cash will be judiciously spent. So far, governments or government departments found themselves hard-pressed not to cater to these standards, either by guaranteeing a specific degree of return or cherry-picking easily treatable social ills. Unless an insurance/derivative market in SIBs emerges, it is hard to believe that this practice will discontinue. And if or when it does, then that poses other issues, as the financial crisis showed: moral hazard, adverse selection, predatory lending, etc. And last but not least, social indignation at these ramifications can be expected.

Ultimately, as narrated in this study, SIBs emerged as a state-sponsored project. But we could also ask, as an exercise in counterfactual history, what if the state steered clear of this avenue? What would have we been left with then? The answer is rather simple: ESG standards negatively screening 'sin stocks', a marginalised and most likely withering social investment sector funding small and local projects, and austerity eating away at the public purse and gradually dismantling social safety nets. SIBs and the institutionalisation of blended value emerged really due to the latter. The imperative of accruing return on social programmes nominally appeared as a result of the scarcity of funding for achieving social policy goals and the purported necessity for these funds to be repaid in order to be reinvested in other projects with social impact. Austerity thus cast us in a double bind: on the one hand, we now have to rely increasingly more on the beneficence of private wealth to create social value – at a discount of course, and on the other hand, we now have to be prepared to face the deleterious consequences of austerity, which perversely creates precisely the conditions for the former to flourish. One might wonder then whether it is not time to rethink austerity or at least ring-fence state funding for social security in order to prevent these paradoxical developments from occurring. And if we see that it has the effect of actually winding back the whole universe of blended value, then maybe we should presume that we are better off without it.

Social investment, therefore, represents both an opportunity and a curse. For now, it is here to stay; the future will only show whether or not the advantages thwart the shortcomings, and whether or not the democratic mandate of governments as well as the social pact at its centre will be respected and will thrive in the midst of financialisation.

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