Market, metrics, morals: The Social Impact Bond as an emerging social policy instrument

Berndt, Christian ; Wirth, Manuel

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*Christian Berndt
Manuel Wirth
Department of Geography
University of Zurich
Winterthurerstrasse 190
8057 Zurich
Switzerland

christian.berndt@geo.uzh.ch
manuel.wirth@geo.uzh.ch

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* corresponding author

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Abstract. Our paper engages with Social Impact Bonds (SIBs) as an emerging social policy instrument in the Anglo-American world with particular emphasis on the UK. Starting from the observation that systematic theoretically driven empirical engagement with SIBs is still only in its infant stage, the paper has two aims: First, we seek to map the particular way in which SIBs emerged at the crossroads of state, (financial) market and philanthropy. Second, we question representations of the role of the state as absent, pointing to the disciplining force of calculative devices as a key means allowing government control "at-a-distance". The paper starts with a brief overview of SIBs as a social impact investing tool and a review of the existing scholarly debate on this phenomenon. The following three sections engage with dominant discursive representations that ambiguously position SIBs between "state", "market" and "philanthropy", thereby offering a malleable frame that allows interested actors to legitimize the implementation of this policy instrument. This is followed by a discussion of the material side of SIBs: the crucial role of various devices of measurement, evaluation and evidence-production in making SIBs possible. We conclude that it is with the help of these calculative devices that SIB-arrangements are realized, being illustrative of the vital role that the state continues to play in the social policy realm despite representations of weakness and absence.

Keywords: Social Impact Investment; marketization; evidence-based policy; social finance

Introduction

For some time now, welfare provision and social policy in the Global North have been reformulated according to the ambivalent logics of the market and workfarism (MacLeavy, 2016). In the wider context of a reformulated "roll-out neoliberalism" (Peck and Tickell, 2002) we are currently witnessing two important shifts: first, the growing influence of experimental, evidence-based logics and measurement practices in social policymaking (Berndt, 2015; Mitchell, 2016; Strassheim et al., 2015); and, second, the emergence of private philanthropy and socially minded investment, arguably replacing traditional forms of social policy delivery and financing by the state (Hay and Muller, 2014; McGoey, 2014; Mitchell and Sparke, 2015). Emerging as a new social policy instrument at the crossroads of both shifts in the UK and the US, the so-called Social Impact Bond (SIB) is a paradigmatic example on which to study social policymaking at this moment in time.

SIBs can be considered as a specific way of "conducting social policies and spending public money", and a radicalization of the wider phenomenon of (social) impact investing (Chiapello, 2015, p. 26). Designed around the logic of "payment-by-results" or "pay-for-success" SIBs are both a financial product and a template for social policy interventions, promising to save government expenditure and to increase the quality of social service provision with the help of private organizations and financial markets. A key defining feature is the emphasis on measurement and evaluation by means of outcome metrics, experimental trials and statistical calculations (Rangan and Chase, 2015).

As social policy instruments SIBs are good examples for the insufficiency of the traditional "three-system reading" (Amin, 2009, p. 10) when engaging with an ostensibly more social economy. What we are confronted with instead is an "entity differentiated along lines that blur the distinction between market, state and third sector" (ibid., p. 8). This trains our attention to the highly variegated and hybrid nature of the phenomenon. It is our particular position, however, that it would be wrong to assume that the emerging social impact investing/SIBs complex completely erases the boundaries between market, society and state. Rather we conceptualize it as a concrete entity "in the making" that emerges as an ambivalent interplay of ideal economic and political logics. As an example for the "marketization" of social policies (marketization because the rationality of the market plays a key role) it implies a continuous reworking and shifting of boundaries rather than their complete erasure, or in the words of Eve Chiapello and Gaëtan Godefroy (2017, p. 164) "boundary building" *and* "boundary blurring". Our paper takes this insight as a starting point for a systematic analysis of Social Impact Bonds. Although there is a fledgling scholarly debate focusing on different aspects of this new social policy instrument, theoretically driven empirical engagement with the topic has yet to emerge. With this paper we would like to make a first step into this direction, having two interrelated aims. First, we seek to map the particular way in which SIBs emerged at the crossroads of state, financial market and a philanthropic social sector in the UK. Second, we question representations of the role of the state as absent, pointing to the disciplining force of calculative devices as a key means allowing government control "at-a-distance".

We start our paper with a brief overview of SIBs as a social impact investing tool and a review of the existing scholarly debate on this phenomenon. The following three sections engage with dominant discursive representations that ambiguously position SIBs between "state", "market" and "philanthropy", thereby offering a malleable frame that allows interested actors to legitimize the implementation of this policy instrument: A prevailing anti-state narrative that frames the state as both interventionist and absent (section 2); strategic attempts to re-moralize and humanize markets and capitalism (section 3); and the financial mainstreaming of SIBs and the infusion of a financial market logic into the SIB architecture (section 4). This is followed by a discussion of the material side of SIBs: the crucial role of various devices of measurement, evaluation and evidence-production in making SIBs possible (section 5). We conclude that it is with the help of these calculative devices that SIB-arrangements are realized, being illustrative of the vital role that the state continues to play in the social policy realm despite representations of weakness and absence.

The empirical findings supporting our arguments are taken from a combination of content and discourse analysis of a corpus consisting of 102 texts from a range of sources: policy papers, media articles, reports and documents from intermediaries and social service providers. In addition to this we draw on 12 formal (that is, recorded, transcribed and coded) qualitative interviews with representatives of social sector organizations, impact investors and government agencies that were conducted by Manuel Wirth in the UK in the context of a Master's Thesis in September 2014 and PhD research since September 2016. When research started in early 2014 there was still a dearth of policy literature on SIBs and hardly no coverage in the mass media. Sampling of secondary texts in corresponding databases such as Factiva and LexisNexis or open online searches was therefore not limited to a particular time range. The aim of the analysis of these texts and the interview material was to tease out the various narratives and legitimization strategies emerging around Social Impact Bonds.

The Social Impact Bond as an impact investment tool

SIBs are part of the emerging field of (social) impact investing. Impact investing "combines philanthropic objectives with mainstream financial decision making" (Höchstädter and Scheck, 2015, p. 449), arguably occupying a middle ground between traditional investments and funding activities that do not seek financial returns, such as grant giving or philanthropy. As a manifestation of increasing private sector involvement in social policy delivery impact investing has a lot in common with phenomena such as corporate social responsibility, social enterprise, not-for-loss business, and corporate philanthropy, all to varying degrees regarded by insiders as "[sacrifying] economic profits in return for social impact" (Brandstetter and Lehner, 2015, p. 91; Clyde and Karnani, 2015, p. 20).

In a nutshell, SIBs are performance-based contracts where "private investors provide the funding and are repaid later by the government (along with a potential profit) if the service meets agreed-on performance benchmarks" (Rangan and Chase, 2015, p. 28). Their supposed innovation is derived from the inclusion of third-party investors who provide money to fund the operations of a social service program. The idea is that private investors and the government enter into a contractual arrangement whereby investors fund services and receive payment for "an improvement in a specific social outcome once it has been achieved" (Nicholls and Tomkinson, 2013, p. 3; e.g. reducing prison recidivism rates in the Peterborough case below). If the outcomes that have been agreed are achieved, the investors receive their capital back plus a profit margin. If the offered service does not meet these outcomes, the investors lose their money. For governments this is attractive – it gets the operation of expensive social services off their books and creates at least the illusion that money is saved.

The world's first SIB was launched in September 2010 in Peterborough, UK, aiming to reduce recidivism among prisoners on short sentences. As first of its kind, the Peterborough SIB can be regarded as a benchmark example for the type of payment-by-results contracts that are at the heart of a SIB. Being a contractual arrangement between Social Finance, which acts as an intermediary organization, the Ministry of Justice and the Big Lottery Fund, it draws on a large pool of investors who directed a total of £5m to the stipulated service provider One Service (Nicholls and Tomkinson, 2013).

The Peterborough example was quickly emulated by a wealth of similar arrangements throughout the country. As of today, the UK hosts 31 Social Impact Bonds (Dear et al., 2016). As "epicenter of SIB activity" the UK represents by far the largest market for this funding mechanism globally. From there, the SIB policy template has travelled widely, first touching down in the US under the name of "payment-for-success" in 2012 and also in other English language countries (e.g. Australia), and then increasingly raising attention in mainland Europe (Höchstädter and Scheck, 2015, p. 450; Mair, 2014; Rangan and Chase, 2015, p. 30). It is estimated that there are currently more than 60 active or planned SIBs worldwide (Dear et al., 2016).[1]

[1] Up to this date, only limited data on the overall performance of SIB projects is available. As of summer 2016, Dear et al. (2016, pp. 28-33) note that 12 out of 14 evaluated programs have achieved the predefined performance

As institutional arrangements SIBs are the result of the collaborative work of a number of actors: The *commissioner* is almost exclusively some type of public sector body, for instance, a central government department (e.g. UK Ministry of Justice) or a local authority (e.g. Manchester City Council). The commissioner predefines measurable performance targets and must be legally distinct from the other participating entities (Cabinet Office, 2013). The *service provider*, for instance, a charity, non-profit organization, or a social enterprise, is the actor responsible for the provision of a social service to a predefined group of people (in the SIB language the 'cohort', 'intervention group' or 'service users'). Service providers receive financial capital in advance and conduct the service in question according to the terms defined in the contracts. *Private investors* come up with the financial means necessary to deliver the stipulated services. In return, they hope for financial profit and arguably also some societal benefit (ibid.).

Depending on the specific case in question there may be additional actors involved. For instance, this concerns *intermediary organizations or special purpose vehicles (SPV)*. In the majority of SIBs these offer mediating services between commissioners, service providers and investors, organizing money and payment flows and performance management, or soliciting investors. It is worth noting that the arrangements are flexible. For instance, instead of a special purpose vehicle, a commissioner may directly contract with one or more service providers. A service provider may also subcontract other organizations and distribute tasks (Barclay and Symons, 2013).

Financial risks are distributed unevenly. Only when the project meets its predefined performance targets, the commissioner has to pay the investor their initial investment plus an interest rate that increases with better performance. Receiving the finances up front, service providers similarly do not have any immediate financial risk (that is, no refund in the case of failure). Rather, it is the investing body that bears this risk. Investors make a profit if the project works but risk losing their entire investment when targets are missed (Nicholls and Tomkinson, 2013, p. 3). However, the service provider of course faces considerable reputational risks in the case that outcome targets are not met (ibid., p. 20).

The scholarly debate about SIBs is still only in its infant stage and conducted predominantly in an applied tone, observers being largely interested in technical issues and focusing on how to improve a promising market for more socially inclined investors. By and large, academic and more policy-oriented contributions paint a positive picture. SIBs are represented as a powerful tool that is capable of overcoming "inefficient" state intervention, bureaucracy and "unreliable" social service provision. Against this, SIBs are celebrated for their rationalized, evidence-based approach and their promise to introduce financial discipline and entrepreneurial spirit to public service delivery (Liebman, 2011; Liebman and Sellman, 2013; Mair and Milligan, 2012, p. 27).

There is a fledgling critical debate on SIBs emerging from various social science disciplines. For instance, this includes analysis of the implications for charities in juridical terms (Dagher, 2013) and the conse-

benchmarks. Only the recidivism SIBs in Peterborough and on Rikers Island, New York are considered as failures and were stopped earlier than planned.

quences of third sector marketization and its implications for the welfare system more generally (Joy and Shields, 2013; McHugh et al., 2013; Sinclair et al., 2014). Mildred E. Warner (2013) discusses SIBs with respect to New Public Management reforms in governments, Zenia Kish and Justin Leroy (2015, p. 645) criticize SIBs as a way to capitalize on marginal social groups and regard it as "racialized financial experimentation". In a similar vein, Christine Cooper et al. use a Foucauldian account to study neoliberal rationales underpinning an SIB in London and unpack how accounting mechanisms "gave material substance to the notion that profit could be made from the homeless life-course" (Cooper et al., 2016, p. 81). From a public policy perspective, finally, Edward Jackson (2013) discusses some of the problems associated with measuring social impact and hints at the difficulty of attributing social outcomes to a single service intervention. There are also contributions from geographers to this debate. Katharyne Mitchell and Matt Sparke discuss evidence-based impact investing as an element of a "New Washington Consensus" where "national governance and territory" is replaced with "localized targets of investment" (Mitchell and Sparke, 2015, p. 743). In a recent article, Mitchell develops the discussion further, arguing that impact investing and SIBs are an example of the increasing influence of new forms of governance, which draw their legitimization from metrics and measurement (Mitchell, 2016). Referring to the developments in the US during the Obama era, Robert Lake discusses the extent to which SIBs reflect the "subordination of social and urban policy to economic policy" (Lake, 2015, p. 75), whereby urban policy is aligned "with the requirements of the funding mechanism" (ibid., p. 77; see also Lake, 2016).

These important contributions notwithstanding, there is a need for further theoretically informed empirical engagement with SIBs and impact investing. This holds in particular for more detailed research on the internal mechanisms, logics and implications of the new phenomenon. In this paper, we do this from a perspective that goes beyond a narrow preoccupation with technicalities, but simultaneously avoids a mechanical opposition to market-driven social policy delivery. To this end we seek inspiration from two overlapping sets of theoretical literature. The first is the body of political economic work on variegated neoliberalism(s) that takes seriously the role of context in the ambivalent rearticulation of market and state (Ferguson, 2010; Hilgers, 2012; Peck and Tickell, 2002; Peck and Tickell, 2007). Work in this tradition stresses the contingent and situated translation of neoliberal ideas, rather than portraying neoliberalism as a coherent, unambiguous super-structure (Mitchell and Sparke, 2015; Collier, 2012). The second source of theoretical inspiration stems from social studies of economization (Çalıskan and Callon, 2010; Callon, 2007) and geographies of marketization (Berndt and Boeckler, 2012; Berndt, 2015), an interdisciplinary intellectual project that applies insights from ANT and STS to economic processes, scrutinizing how market arrangements materialize "on the ground". With its emphasis on calculative devices, experiments and the performativity of economic knowledge this literature is well placed to engage with the contradictions of what has been termed "measurement revolution" in social impact investing (Bishop and Green, 2015, p. 543).

The state – interventionist, but absent

SIBs have emerged at a time when the capabilities of governments to address poverty issues on their own have been increasingly questioned. In a rhetoric typical of our current times, SIBs and social impact investing more generally acquire positive worth in a multi-faceted anti-state discourse. A first argument emerging from the analyzed documents and interviews mobilizes the well-known anti-Keynesian imagination of the state and direct state intervention as being flawed and outmoded. In particular, social policy analysts and SIB proponents criticize what is perceived as wasteful spending without consideration of the results of these interventions. A Social Finance report, for instance, argues that "[m]ost governments pay for social services with insufficient consideration to how effective the programs actually are in achieving better outcomes for the target population" (Social Finance, 2012a, p. 13). And an interviewee from the Cabinet Office seconds by raising the specter of unconditional, uncontrolled grant-giving: "Ok, go and do something good, we don't really care what it is and then just let us know what you have delivered [...]" (interview with Cabinet Office expert, 22 September 2014). A related argument concerns anti-bureaucratic complaints about "silo thinking" within government departments, implying that bureaucratic structures prevent efficient cooperation and effective processes (Kohli et al., 2012a, p. 3). In these accounts the state turns into a gambling addict who cannot stop churning out grants and subsidies, ending up paying for services regardless of the results achieved, services that at best have no discernible effect and at worst make everybody worse off.

A second narrative represents the interventionist state as simultaneously absent. This is a key step in the ambivalent discourse: It is argued that the state is active only at first sight. In this logic the Center for American Progress (Kohli et al., 2012b, p. 6) criticizes the reluctance of governments to measure "whether programs work, focusing their energy on disbursing funds instead of measuring impact." An interviewee at a social investment intermediary mobilizes a similar narrative, additionally describing the state as risk averse and non-innovative: "[G]overnment struggled to invest in innovation just because they are held accountable when things fail […]" (interview with representative of a social investment intermediary, 24 September 2014).

At the end of the day, Social Impact Bonds provide the answer to both problems. Directing resources to carefully selected social problems and triggering payment only in the case of "success", they are both conditional and efficient: "Social Impact Bonds are different: Government only directs resources toward things that work" (Kohli et al., 2012b, p. 5). It is the market mechanism that guarantees success according to this rhetoric, separating wheat from chaff: SIB as a funding instrument "introduces market discipline into the social services field since only those service providers who can convince investors that they can achieve the performance target will be able to attract funding" (Joseph and Liebman, 2013). In much the same way, the former deputy mayor of health and human services in New York Linda Gibbs is reported as commenting on SIBs "as a way to strip away some of the 'inefficient and ineffective' spending that is caught up in running government" (Preston, 2012).

Private sector solutions are established as well-performing, innovative and efficient, capable of tackling all sorts of social problems by employing market approaches and enforcing business acumen in the social sector: "In the private sector the discipline that enables the most effective organisations to thrive and grow is the operation of market forces […]" (Bolton and Savell, 2010, p. 19; interview with Social Investor 1, 24 September 2014).

This prepares the ground for the final argument regarding the role of the state, giving this critique additional force at times of perceived fiscal emergency. In a situation when there appears to be no alternative to austerity, the rise of SIBs is an almost logical development, representing "the continuation of a trend by successive UK government to reduce direct public investment in social services while simultaneously encouraging increased investment from private sector financial and other intermediaries and 'marketizing' the third sector" (McHugh et al., 2013, p. 252). At times when the double sins of wastefulness and a hands-off approach appear to be ever more costly, instruments that promise to trigger state spending solely in the event of carefully circumscribed success appear to be particularly attractive. It is little wonder therefore that references to austerity play a prominent role both in the narratives of the interviewees and in the secondary documents analyzed.

Arguably giving legitimacy to demands for the state to remain absent from social welfare delivery, SIBs may thus be interpreted as yet another round in the destruction of welfare state institutions, cuts in public spending on social and public services, and the introduction of the free and unregulated market logic associated with what Jamie Peck and Adam Tickell have termed "roll-back neoliberalism" (Peck and Tickell, 2002). Promoters of such schemes, argues Mitchell, believe that they "function more efficiently than inevitably corrupt or incapable national governments, and that the competitive entrepreneurial strategies and practices that worked for successful businesses should serve as the models for social aid programs and delivery" (Mitchell, 2016, p. 15). While this may be partly the case, however, this diagnosis remains incomplete. As Mark Blyth has recently argued, advancing an argument reminiscent of Polanyi's double movement, the idea of austerity lies at the heart of the paradoxical treatment of the state in liberal economic thinking: On the one hand, the state is despised as a wasteful villain, obstructing the self-equilibrating market system, on the other hand, state intervention is needed to guard against the self-destructive forces of the capitalist system (Blyth, 2013). As the simultaneous representation of the "old" state as "interventionist, but absent" illustrates, SIBs and social impact investing are not about a linear replacement of the state by the market. Rather, they are a perfect example for the way in which the state is reimagined at a time when capitalism and markets have become increasingly "humanized".

Struggling for the "invisible heart" of the market

Within the (social) investor scene, impact investing is celebrated as harnessing "the force of entrepreneurship, innovation and capital and the power of markets to do good" (Report of the Social Investment Taskforce, 2014, p. i). In its boldest and most far-reaching variant there is a belief that social investment is capable of transforming the world of investment more generally, a mission to achieve nothing less than to "revolutionize how we think about investing itself" (Brandstetter and Lehner, 2015, p. 88).

The entanglement of business, market-led approaches and philanthropy is accentuated in the imagination of the "invisible heart of the market" which is evoked regularly in impact investing publications, as for example in documents of the Social Investment Taskforce, chaired by UK philanthropist and investor Ronald Cohen (Report of the Social Impact Investment Taskforce, 2014). This illustrates how SIBs and impact investing more generally are framed in a dual discourse. In a best of both worlds scenario impact investing works with as much state as necessary and as much market as possible, avoiding not only the pitfalls of the state's heavy but ultimately ineffective hand, but also the market's overtly rational discipline. With regard to the latter, impact investing is framed as an attempt to "humanize" or re-moralize capitalism by utilizing financial markets to tackle social problems. This representation mobilizes the idea that SIBs are an embodiment of a "new social economy" given that they combine elements of social responsibility and social awareness with financial for-profit thinking. Such an "ethicalization" of markets and capitalism is not novel, but acquired new strength in the wake of the 2008 financial crisis that sharpened social inequalities, increased public scrutiny and forced the financial industry more generally to legitimize its practices (Kish and Leroy, 2015, p. 635). In what follows, we present three aspects of this discursive position that emerged in our material.

The first concerns the complicated role of philanthropy in SIBs. The UK SIB market is dominated by key social investors and intermediaries that are involved in the vast majority of the currently operating SIB-projects. Big Society Capital (BSC) plays a crucial role in all this. Embedded in the Conservative Party's ill-fated Big Society agenda, BSC was created in 2010 as an independent wholesale social investment bank with the mission to act as a "cornerstone investor for innovative products, such as Social Impact Bonds, that offer a blend of social and financial return that is attractive to socially responsible, mainstream investors" (Conservative Party, 2014, p. 4).

An influential figure in the design of this architecture has been Ronald Cohen. Having made himself a name as a venture capitalist he played a key role in pushing the social investment sector in the UK (Medland, 2013). Cohen was a driving force behind the establishment of Big Society Capital and the institution's founding chair. In addition to this, he chaired the Social Investment Taskforce, an international organization consisting of social investment experts from the G7 countries whose aim is to catalyze nothing less than a "global market for impact investment" (Report of the Social Impact Investment Taskforce, 2014, p. 2). Cohen was also prominently involved in setting up and directing related institutions such as Social Finance UK (intermediary institution for SIBs and most prominent SIB developer in the UK), Bridges Ventures and the Portland Trust (Medland, 2013). But his influence goes well beyond this. Skillfully combining the roles of financial investor, entrepreneur, promoter of the SIB model as well as being a political figure, Cohen stands for the ambivalent conjuncture of market, philanthropism and the state that has become so typical for the current period of an ostensibly more human capitalism. This is indicative of a wider process of marketization of social policy delivery that "cannot be understood as the action of politicians alone but as a part of a complex apparatus of politicians, philanthropists, and corporations" (Cohen and Lizotte, 2015, p. 1827).

SIB protagonists are at pains to avoid the impression of one-sidedly celebrating the philanthropic side of the phenomenon. The intention of doing good is not enough. And as we will demonstrate below, it is ultimately the market that has to make sure that what is good is also efficient. Here, it should suffice to point out that the dilemma is solved by time. More traditional philanthropy is given a role in the early stages of an investment, providing risk capital before the financial market gets involved: "Philanthropy is well-suited to help engage new capital, by peeling back the first layer of risk and developing the infrastructure for innovative finance to take root" (Hughes and Scherer, 2014, p. 4). This highlights the significance of philanthropists and their money for the kick-starting phase of Social Impact Bonds during which commercial investors hesitate to expose themselves due to a perceived lack of calculative evidence: "Many viewed foundation engagement with SIBs as a natural outgrowth of philanthropy's traditional role as an 'idea shop' that may take on the risk of proving a concept before it can be scaled by the government" (ibid., p. 7). A related argument points to philanthropy as an arena in which to test new approaches before mainstreaming them, a kind of trial-and-error experimentation that more conventional investors keep distant from: "Some argued that philanthropy should help to seed the nascent market, but should then seek to hand off SIBs to mainstream impact investors as the market matures" (ibid., p. 8).

A second discursive position representing SIBs as a "more-than-market" instrument concerns the privileging of geographical proximity and the connection with the truncated localism so characteristic for UK politics (Williams et al., 2014). Localist arguments played a significant role in the legitimization of SIBs in the context of the Big Society agenda that was ostensibly about decentralization, the empowerment of local authorities and the reform of public service as a response to "deficits of efficiency, fairness, and democracy" (Clarke and Cochrane, 2013, p. 13; see also Dowling and Harvie, 2014). In this vein, SIBs are considered to deliver local solutions for local problems: "As social needs become more diverse and, in places, acute there is increasing recognition that often the most effective services are those that are tailored to local needs" (Bolton and Savell, 2010, p. 10). As a consequence, interventions from the outside are deemed to be unrealistic due to the lack of local knowledge (Callanan et al., 2012, p. 64). SIBs are considered as an instrument that leaves room for flexibility in service delivery, enabling "tailor-made" local solutions that can be adapted on the go (Bolton and Savell, 2010, p. 47).

Another argument connecting with localism has to do with the changing political climate that saw the "Big Society" being replaced by "austerity" as the main trope dominating central government policies. The trick is simply to equate decentralization with cost savings, on the grounds that local actors know better and that smaller entities are more effective:

> The basic idea of Big Society is empowering local people and local organizations to deal with problems. Social Impact Bond is really in keeping with that philosophy, is trying to give small and local organizations the opportunity to deal with issues in their area, rather than having big contracts and big organizations [...] (interview with Cabinet Office expert, 22 September 2014).

Overall, SIBs are depicted as a win-win situation both for local governments that need to increase cost-efficiency and for local service providers because they can now receive government contracts and have better access to funding.

Third, there is the argument that the projects funded by SIBs are also empowering local communities and are capable of reinforcing social cohesion. Reminiscent of Big Society claims that "community spirit can solve social problems better than the state" (The Economist, 2012), SIBs are celebrated as a means to "self-help": "[C]ivic society can help deliver public services itself. Investment in local social enterprises has grown significantly over the last 10 years [...]" (HM Government, 2009, p. 31).

An additional aspect of this is the celebration of volunteer work that is regarded as an important feature of projects funded by SIBs. An interviewee from a social organization in London pointed out that SIBs enable the "third voluntary sector to step up and have a more active role in delivering services […]" (interview with social investment agent of Social Organization 1, 7 September 2016). For instance, 'One Service', the non-profit organization that was involved in the Peterborough SIB, was highly dependent on the work of volunteers (Disley and Rubin, 2014, p. 18). Critics point to the obvious downsides of such a practice, arguing that this could lead to self-exploitation of altruistic volunteers who enable SIBs to be successful and receive nothing when investors are paid out (Williams, 2011). These contradictions are a hint at the extent to which the "humanization of the market" narrative is a discursive veil, hiding from view entanglements with those two institutions that protagonists appear to be so keen to distance themselves from – the financial market and the state. As we seek to show in the subsequent sections, this refers to the financial mainstreaming of the SIB and impact investment sector on the one hand, and the observation that the market's apparent "invisible heart" cannot be nurtured without active involvement by the state, on the other.

Financializing the social

SIBs are not only a social investment tool but also a financial instrument and investment product. It is little surprising therefore that practices of financialization have found their way into the architecture of Social Impact Bonds. The profit-maximizing logic of financial markets plays an important role in the SIB community, a role that has increased in importance recently with attempts of upscaling and mainstreaming. In this context, the evaluation of risk and return has become a major issue. It is well documented in the financialization literature that risk-return assessments play a key role in the valorization of new income streams through investment banks and attempts to turn non-tradable goods into tradable assets (Leyshon and Thrift, 2007, p. 110; Pike and Pollard, 2010, p. 33). In the specific context of SIBs a recurring theme concerns complaints amongst more commercial investors that risk-return profiles are inappropriate, a problem that arguably prevents them from engaging themselves more actively (Kuznetsova and Palumbo, 2014, p. 3).

There is tremendous pressure for higher potential returns to reflect the higher risks involved. "If one-third of projects fail", the Center for American Progress (CAP) calculated somewhat speculatively, "the annualized rates of return on the remaining projects would likely need to be more than 20 percent" (Liebman, 2011, p. 3).

Demands for "higher returns" like these obviously do not chime well with the practice to implement caps on returns, an aspect of SIBs that is commonly regarded as a defining feature justifying its designation as a social investment vehicle. At a closer look however, return rates are not nearly as low as we are made to believe. In the UK, institutions such as Big Society Capital expect return rates between 3% and 5% (interview with social investment intermediary, 24 September 2014). What is more, in some UK SIBs, investor returns can be as high as 12% or 13% (Cabinet Office, 2013).[2] In contrast to the US, however, UK SIBs have still not taken off with commercial investors, prompting some observers to call for a rethinking in order to make them more attractive (e.g. Social Finance, 2012a, p. 18). The promise of higher returns does not seem to be enough, however. There are additional demands to minimize the risks in question, for instance by emulating the tiered risk structure of SIBs in the U.S.:

> For example, a structure with senior and subordinated tranches could attract mainstream as well as philanthropic investors. A senior tranche could offer low-risk and fixed returns to institutional investors, while a subordinated tranche funded by philanthropic investors would function as a first-loss reserve. Various credit enhancement techniques may be applied in a single-tranche SIB or in combination with the tranche structure to lower the risk profile of the senior tranche (Social Finance, 2012a, p. 18).

Making income streams for investment banks as predictable as possible, de-risking or risk-sharing measures are a key aspect of financialization and securitization practices (Leyshon and Thrift, 2007). The logic behind a first loss layer is to use philanthropic social investors as a protective shield: "Interest from Finance First investors will likely increase if SIB returns can be boosted by layering their investments on top of risk-absorbing, low-return-seeking philanthropic funding" (Callanan et al., 2012, p. 39).

In the UK there are doubts about the applicability of such de-risking measures. An interviewee at a social investment bank in London, for instance, described these practices as being limited to the US or Australia, arguing that "in the UK we don't have such structures. It's culturally, we don't de-risk financial institutions" (interview with Social Investor 1, 24 September 2014). However, this is not to say that SIBs do not include risk mitigation structures in the UK. One strategy is to introduce staged payments that are tied to a cascading sequence of outcome milestones, as in the case of the UK-wide IAAM Adoption SIB. In this project investors were remunerated on the basis of outcomes such as registration and placement of a child in a host family as well as placement stability outcomes (Kuznetsova and Palumbo, 2014, p. 9). Social Impact Bonds of this type have "a 'smoother' return profile as a result of an individual tariff […], delivery bodies sharing in the risk and payments to delivery bodies being tied to the same milestones and outcomes as the outcome payments" (ibid.). Bringing SIBs much closer to a debt product, normalized

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[2] In the US, returns may be even higher: In the New York Rikers Island SIB maximum outcome payments are put at a level of 2.1m dollar for an investment of 9.6m (Rudd et al., 2013, p. 19).

risk-return profiles and staged payments open up the possibility to trade the investment vehicle on secondary markets (interview with Social Investor 2, 25 September 2014).

In order to live up to this promise, access to financial markets and mainstream investors is of crucial importance. Accordingly, demands for an opening up of the SIB market to institutional investors and financial markets as a vast, untapped resource for social purposes was a recurrent theme in the interviews (e.g. interview with Cabinet Office expert, 22 September 2014). Proponents represented the inclusion of mainstream investors as a logical step in the life cycle of SIBs as a social impact investing instrument, allowing the attraction of "investors with a wide range of risk appetites" (Social Finance, 2012a, p. 18; see also Cohen, 2012, p. 21). To this end, it is the active engagement of Goldman Sachs in the US SIB market that has become emblematic for mainstreaming and upscaling demands in the UK (Stabile, 2013; interview with SIB developer, 14 October 2014).

However, observers are also aware of the contradictions that such a process bears. This is connected to the inequalities that "de-risking" entails. By (mis)using "patient" risk capital from institutions such as Bloomberg Philanthropies as "security layer" (Goodall, 2014, p. 29), the brunt of the financial risks is being absorbed by philanthropists "whose interests and motivations differ from those of the profit-seeking investors" (Rangan and Chase, 2015, p. 34). In a marked contrast to the widespread representation of SIBs as high risk investments with only moderate returns, institutional investors are offered something very different: a relatively safe investment with yields that are not unsubstantial in the current moment of stubbornly low interest rates. At the same time, however, upscaling with the help from mainstream investors is irrevocably connected to a concomitant need for more patient money, providing another example for the blurring of market and nonmarket boundaries and obviously setting limits to the expansionary drive.

The debate about de-risking and possible limits to upscaling notwithstanding, it is also clear that the involvement of mainstream actors has had profound implications for the way these investments are calculated. Large institutional asset owners such as pension funds, endowments or insurers are bound by the expectations of their fiduciary duties and demand a whole calculative infrastructure, consisting of carefully circumscribed asset classes, evaluation metrics and instruments. They normally apply conventional portfolio allocation frameworks that are not easily reconciled with the type of social risks and returns that are at play in impact investing (Brandstetter and Lehner, 2015, pp. 88–89).

In sum, from a financialization perspective, SIBs are a showcase example for the transformation of uninsurable individuals (homeless individuals, delinquent adolescents, at-risk children etc.) into a "faceless" group of people in need that is rendered calculable (the cohort). Such a transformation of social problems into income streams crucially depends on the application of metrics, calculations and statistics (Leyshon and Thrift, 2007, p. 108; Pike and Pollard, 2010, p. 30). It is to this crucial facet of the SIB phenomenon that we turn in our final section.

Evidence, experiments, engineering

As mentioned earlier, the state plays a much more complicated and ambivalent role in SIB-projects than many scholars and practitioners are prepared to acknowledge. What is strikingly absent in the debate is the extent to which the state joins other stakeholders in their active use of the calculative devices by which market arrangements such as Social Impact Bonds are realized on the ground. Measurable outcome metrics, statistics and experimental designs are used prominently in SIBs and impact investment (see Chiapello and Godefroy, 2017), connecting the phenomenon to a wider trend towards evidence-based policy delivery in a broad array of policy contexts in the Global North and the Global South (Berndt, 2015; Bishop and Green, 2015).

The centerpiece of any Social Impact Bond is the definition of measurable, explicit outcome metrics at the outset of a project, usually deployed by the commissioning government agency. These concern a set of performance goals that a social organization aims to address during its service and against which delivery is evaluated (Barclay and Symons, 2013, pp. 11–14). Particularities of these outcome metrics vary greatly across projects. SIBs addressing foster care, for instance, often use frequency metrics that may be defined by the "numbers of days spent in care". In the Peterborough Prison SIB this concerned the "number of reconviction events over 12 months after release from prison" (Cabinet Office, 2013). Other SIBs are based on multi-dimensional outcome metrics, such as the Essex SIB (children at the edge of care) where indicators as different as school performance, offending rates and emotional wellbeing were measured in addition to "numbers of saved care days" (Green and Matthews, 2014, p. 8). This is also a good example for the widespread use of a mix of quantitative and qualitative indicators.

In many cases an experimental design is used that compares the performance of a so-called intervention group (recipients of a social service) with that of a control group. Control groups may either be built from historical data or from individuals that do not receive a social service, that is, a "living control group" (Barclay and Symons, 2013, p. 13). In order to increase the perceived reliability of these experiments, project developers normally assign individuals randomly to both groups, turning these experiments into examples for the method of randomized controlled trials that has become immensely popular in evidence-based policy delivery and design (Strassheim and Kettunen, 2014, p. 262). In these instances the notion of "statistical significance" plays a crucial role, payment by responsible state agencies only being triggered in cases of significant performances differences between treatment and control groups (Disley and Rubin, 2014, p. 12). How strenuously SIB developers strive for "significance" can again be illustrated on the Peterborough example. In this project, reconviction events of each of the three intervention cohorts (1,000 ex-prisoners each) were compared with a group of 10'000 ex-prisoners released from other prisons within the same time. The "living control group" was formed on the basis of Propensity Score-Matching, a method that uses "logistic regression techniques to model group memberships and identify suitable control group members based on a set of variables" (ibid., p. 11). This means that every person of the intervention group was compared with up to ten persons from the control group, additionally controlling for different social characteristics such as ethnicity, type of offense, age at first sentence, length of criminal career etc. (Disley et al., 2011). Ultimately, the performance was subjected to a test "using a 90% level of statistical significance and a power of 80%" (Disley and Rubin, 2014, p. 11). These experimental practices are lauded for their apparent superiority to more traditional ones, gaining their legitimacy from a modernizing, technocratic discourse celebrating rigor and objectivity (Shore and Wright, 2015, p. 430). Or as the authors of a Young Foundation report put it "SIBs are based on outcomes and it is these that are important, not processes" (Loder et al., 2010, p. 12; see also Goodall, 2014).

In this sense, SIBs are experimental laboratories, controlled settings in which social organizations, provided with upfront funding from investors and unaffected by governmental prescription, explore creative ways to address social issues. These "creative" interventions are then either sanctified or disapproved by means of sophisticated measurement and evaluation designs. Central to this is the idea of producing evidence for what works and what does not, turning SIBs into vehicles to "promote an evidence based culture in social provision" (Loder et al., 2010, p. 13). An interviewed support service manager of a charity that houses young, homeless people in the North of England, for example, explained that she uses data collected in the course of a SIB to find causalities between housing tenure types and how long young people sustain these tenancies in order to detect risk factors and optimize service provision (interview with support service manager of Social Organization 3, 13 September 2016). The quest for evidence is then articulated with the perceived superiority of the private sector as a role model that injects a much-needed dose of creativity, entrepreneurialism and innovativeness into the social sector. SIBs arguably create an "incentive for everyone to deliver better outcomes and […] [create] the opportunity for the forces of entrepreneurialism to work out the best way of delivering those outcomes" (interview with Social Investor 2, 25 September 2014).

The idea of SIB-funded projects as experimental playgrounds for creative social service providers is only one side of the impact investing coin, however. In an environment where everything is geared towards measurable outcomes, a strong discipline is exerted by experimental devices that aim to "encourage the right behavior among service providers" (Social Finance, 2012b, p. 18). At the end of the day, the issuing government agency has a strong influence on the project design. For instance, in the case of the seven SIBs operated through the £15m Fair Chance Fund, an initiative of the UK Department for Communities and Local Government, clear prescriptions are made in terms of intervention fields, cohort sizes, outcomes to deliver, payment model and evidence material required to substantiate the achievement of a specific outcome (DCLG, 2014). Social organizations applying for a SIB are advised to offer discounts on outcome payments in order to improve their chances to win a bid (ibid., p. 20). For the government this is generally considered as a win-win situation. Even the social intermediary Social Finance acknowledges that for the state, the "risk of intervention failure" can be transferred to investors, but the tools "for the continuing adaptation and improvement of services" can be kept (Bolton and Savell, 2010, p. 49). In other words, risk may be offloaded to other actors, but this does not imply the loss of state control.

What is more, a large number of SIBs do not really test innovative anti-poverty approaches but apply intervention formats that already have a positive track record. An example for this instance of policy mobility is an SIB in Manchester, which uses an evidence-based approach called Multi-Dimensional Treatment Foster Care. This is a tested intervention model addressing antisocial behavior, mental health problems and school readiness of children and adolescents developed in Oregon, US in the 1980s that has travelled since to over 50 locations in different countries, including the United States, Canada, Sweden, Norway, the Netherlands, New Zealand and the United Kingdom.[3] This reliance on "tested and tried" solutions is little surprising given that it is risky from the investor's point of view to invest in organizations that apply untested interventions (Callanan et al., 2012, p. 7). This inherent bias towards established solutions puts limits to the seemingly experimental character of SIBs, having a standardizing effect and stifling the very "innovative" character of the instrument that protagonists are celebrating in their representations. This was supported by an interviewee from a London-based social organization. He noted that living up to the promise of "achieving some outcomes […] but also demonstrating that it [the service] is innovative" creates a "kind of tension […] in SIBs" (interview with an evaluation manager of Social Organization 2, 9 September 2016). Stifling as it may be, the tension between creative experimental play and standardization can also be "productive", creating the environment of disciplined freedom so typical of current forms of market-based policy delivery.

In order to exert this particular disciplinary effect, the logic of experimentalism is being implemented in a close interplay with another strand of economic thinking that has witnessed an astonishing revival in a wide range policy fields recently: economic behaviorism (see Berndt, 2015; Berndt and Boeckler, 2017; Langley and Leaver, 2014; Strassheim et al., 2015). The conditions that SIBs and similar interventions codify as "social problems" are very often conceived as resulting from behavioral failures that have to be corrected. SIBs regularly engage in outright behavior change or what economists have termed "behavioral engineering" (Bolton and Ockenfels, 2012). As an instrument "especially well suited to scale interventions focused on behavior change" (Callanan et al., 2012, p. 12), SIBs repeatedly mobilize behavioral economic thinking. A case in point is the New York Rikers Island SIB. This project started in 2012 with the aim to prevent future recidivism among young prisoners. In order to reduce the number of future days spent in jail after their release, young prisoners could participate in an intervention called Adolescent Behavioral Learning Experience (ABLE), a program based on a cognitive behavioral therapy. This was based on the premise that "beliefs, attitudes, and values affect the way people think and how they view problems. […] Cognitive behavioral therapy is designed to restructure distorted thinking and perceptions, which in turn changes a person's behavior for the better" (Rudd et al., 2013, p. 29). More concretely, the project applied an evidence-based instrument called Moral Reconation[4] Therapy, a treatment "designed to help offenders reevaluate their choices and enhance their decision-making abilities" (ibid., p. iii) by means of a staged moral progress that successively builds up moral skills or overcomes moral/behavioral shortcomings as people proceed through the eight-step program (ibid., p. 31).

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[3] Retrieved from www.tfcoregon.com, accessed: 01.03.2017.

[4] According to (Rudd et al., 2013, p. 30), "'Conation' refers to a person's inclination to act purposefully. 'Reconation' therefore refers to the attempt to change how a person decides to act."

In the UK, a large number of SIBs are commissioned by the Department for Work and Pensions (DWP) which often teams up with the UK Behavioural Insights Team (BIT), an institution linked to the UK Government that promotes the use of behavioral science in public policy.[5] SIB projects initiated by the DWP revolve around issues of education and employability of young, vulnerable people with a low-income background and explicitly address issues such as behavior at school, truancy or achieving educational qualification levels (Dear et al., 2016). Behavior change ideas are also flourishing in the programs of important UK impact investors such as Nesta, currently partly owning the BIT, whose philosophy embraces the idea that social risks are associated with "genetic bad luck, as well as […] the result of behaviour and lifestyle choices." (Mulgan, 2016, p. 3). Along these lines, Nesta strongly promotes projects based on early childhood interventions to help "children to grow up confident, rounded and smart" (ibid., p. 5) or supports approaches that incentivize self-management strategies for people and communities in order to change supposedly defective behavior (Burd and Hallsworth, 2016). All this is illustrative of the extent to which behavior change ideas emanating from think tanks such as the Behavioural Insights Team have begun to seep through the capillary system of the social sector.

In sum, by representing individual behavior as dysfunctional, social problems are "rendered technical", that is, wider societal issues are translated into mere technical problems that can be corrected with the help of evidence-based behavioral engineering. This is further evidence for the observation that the state makes a silent comeback as a legitimate player in the wake of the behavioral and experimental turn (Pykett et al., 2011). This is a player, to be sure, that follows the game from a certain distance, acting indirectly by defining the frame of new kinds of social policy that promise to achieve both social improvement and financial return.

Conclusion

As a social policy instrument SIBs emerge at the ambivalent conjuncture of market, philanthropy and state, promising to go beyond the extremes of "top down" state intervention and the free play of market forces. Instead, a middle ground is promised that is capable of combining the best of all worlds: a capacity of "doing good" and of offering solutions to all sorts of social ills; much-needed doses of market discipline as an antidote to overtly romantic, homeopathic social therapies; and a continuing presence of the state as a distant, yet active player prioritizing one social ill over the other and providing the regulatory frame that enables the assemblage of patients in need, doctors, clinical specialists, therapies and medicines to assume its variegated form.

We have shown in the preceding discussion that this particular form of marketization is a highly contradictory affair. Being engaged in a constant struggle about where to draw the line, the various stakeholders distance themselves from state interventionism, pure philanthropy and unfettered financial markets. Yet at a closer look, these carefully constructed boundaries turn out to be fragile and porous. For instance, despite their apparent willingness to accept lower return rates and thus to keep a certain distance from

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[5] Behavioural Insight Team website: http://www.behaviouralinsights.co.uk/about-us/, accessed: 26.1.2017.

market forces, financial investors by and large draw on more philanthropic actors as risk cushions and providers of patient capital, thereby reintroducing a financial market logic through the backdoor. And while localist agendas may open up opportunities for local resistance and contestation against market capitalism (Williams et al., 2014), the one-sided celebration of localism and community engagement veils the fact that, due to the governmental austerity agenda, local authorities in the UK may have little choice but to resort to SIBs in order to save costs. Overall there is a constant meandering, a process of constant negotiation that makes visible intricate entanglements across the carefully drawn borders between state, (financial) market and community.

The role of the state is particularly interesting in this context. Positioned at the borderline between market and philanthropy, SIBs and impact investing arguably fill a growing financial gap as public welfare expenditure is decreasing at times of austerity (O'Donohoe et al., 2010). Against the image of the Keynesian welfare state, SIBs promise the improvement of social service quality as a result of increased market discipline and the enrollment in a market environment. Yet, it also became clear that the realization of such ambivalent market arrangements crucially depend on substantial state involvement in the first place. One way this is done in practice is with the astonishing rise of behavioral and experimental policy insights that increasingly inform policy formulation and delivery in the normative environment of "true evidence" (Berndt, 2015). Quantitative measurement and evaluation have become the new gold standard, finally providing the means to reconcile both the financial investment and the philanthropic side of this segment of the "social economy" (Rangan and Chase, 2015).

The logic of "evidence-based policy" is a defining feature of the SIB and impact investment complex. The framing and transformation of uninsurable, incalculable individuals into measurable, commodified social service "users" is predicated on a combination of measurement techniques (experimental designs, outcome metrics, statistics) and the mobilization of discourses of evidence and behavioral deficiency as the root causes for poverty.

All this makes for social policy arrangements that provide a perfect fit for the current neoliberal moment. SIBs offer exactly the sense of freedom that enables powerful political and economic actors to flexibly align the policy instrument with their pragmatic goals. The state is both absent and present at the same time; it is intervening 'from a distance' through the active promotion of technologies, but quickly disappears again behind the veil of a heterogeneous arrangement that connects philanthropists, (impact) investors, entrepreneurs, local authorities, NGOs and even celebrities (Mitchell, 2016). There are notable absences in this productive entanglement, of course: social workers and "final consumers" of social services, wider notions of societal inequality and difference, the acknowledgement that social policy needs a long-term vision rather than a short-term focus on calculable results etc. Approached from such a perspective, SIBs stand for a wide range of similar developments in different policy fields. These include anti-poverty and "development" policies in rural and urban settings of the Global South, the world-wide surge of "smart city"-programs and climate change mitigation policies in addition to the kind of policy interventions at the heart of this paper that have their main focus in the Global North. It is because of this that we think continued critical scholarly attention to these programs is indispensable.

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