

# Can the poor be smart?

Eight points on innovation and universalism in Southern Welfare State

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Work in progress

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## Short intro

The submitted abstract promised a theoretical-empirical investigation of the tensions between innovation and universalism in the field of welfare, looking at the social inclusion strategy developed in Smart City and 100ResilientCities programs in the cities of Milan and Barcelona. Due to the delay with which I could advance in my empirical research, the paper will develop combining secondary empirical material and theoretical insights, introduced by short statements through which the main argument is presented.

Writing this paper in mid July 2015, in the days of the so-called “third Greek Memorandum”, in this introduction I express my sorrow and my indignation for the anti-democratic and anti-popular measures that the Greek parliament was forced to sign by European Commission, IMF and ECB. The policies imposed through this memorandum make the expression “Welfare for all” sound totally empty and meaningless in today’s Europe.

The question stand: what is the role of critical social research in front of such a clear attack to basic social and political rights ? How to use our knowledge and power, little as they may be? How to turn our pens into swords?

**1. The current process of welfare restructuring must be read and analysed both in its material and semiotic dimension: how social policies are changing? How narratives about social exclusion, social rights, social work are changing?**

In the long process of neoliberalization (v. infra), we live a contradictory phase, characterized on the one side by a growing discredit of neoliberal ideology and policies that led to the global financial crisis and on the other by diverse and contrasting attempts and strategies aiming at perpetuating the very same economic model or to change it in different directions (Peck, Theodore, Brenner 2013): the already known neoliberal strategy of *failing forward*.

Cultural Political Economy approach (CPE) offers useful tools to investigate this contradiction as it accords great importance to the processes of variation, selection and retention of crisis construals and imaginaries. According to CPE approach, each of the three processes is specific to a temporal phase of the crisis, is characterised by a different degree of influence of semiotic and material forces and expresses a prevailing trend towards re-politicization or sedimentation.

If the moment of variation is dominated by semiotic aspects and by a movement of re-politicization, where old imaginaries and values can be contested – selection and retention are more influenced by material elements and involve a process of sedimentation and consolidation of (new or old) imaginaries.

**2. In this context, the EU and other international public (G8, OCSE) and private (e.g. Rockefeller Foundation, European Foundation Center) policy makers are promoting vehicular ideas and policies – smartness, sustainability, resilience, social cohesion – oriented to the re-legitimization of global capitalism after 2007-8 crisis: neoliberal macro-economic policies, public-private governance arrangements, and top-down de-politicized community mobilization tend to shape this dominant framework.**

**In this view, for example, a smart or a resilient city can be an austere city as well: cuts to public budget will be balanced by more accurate and effective public policies and by “the invisible heart of the market”.**

In the era of Austerity, a new general discourse about “bringing finance back on earth” after its speculative turn and finding a new balance between the interest of global capitalism and the interests of citizens is widely promoted by national, local and international public and private policymakers. The first policy initiatives are following. Among these, the most relevant for the field of welfare are:

- Social Business Initiative and its developments, launched by the EU Commission in 2011 – identifying the growth of For-Profit and Low-Profit “social” enterprises as the key actor for EU social cohesion
- Task force on Social Impact Investment, launched by the G8 in 2013 – bringing recommendations to member States in order to promote the diffusion of impact finance and let *the hidden heart of the market* (quote from the title of the 2014 Final Report) free.
- Philantropication through Privatization, a program launched by the European Foundation Center and the Johns Hopkins University in 2014, aimed at maximize the social impact of privatization through the creation of charities.
- Smart City programs: mainly promoted in Europe by EU Commission’s 7<sup>th</sup> Framework Program for Research and Technological Development (2007) and by the Smart Cities

and Communities Innovation Framework (2012) – promoting ICT solution for inclusive and sustainable policies in six domains, among which “smart living” includes issues of social cohesion, education, housing and other relevant Welfare issues.

- 100ResilientCities Program, launched in 2013 by the Rockefeller Foundation in order to select a number of cities around the world and help them “become more resilient to the physical, social and economic challenges that are a growing part of the 21st century”. A good number of “resilience challenges” until now identified by the programs have to do with social exclusion and welfare policies.

**3. These initiatives are part of a fast policy regime (Peck, Theodore 2010; Peck 2011; Peck 2012; Peck, Theodore, Brenner 2012; Peck, Theodore 2015), in which policies circulate globally and are adopted and adapted in local contexts through the work of a network of intellectuals and political brokers.**

In focusing on policy experiments developed under the brands of “smartness” and “resilience” we consider these as “vehicular ideas” (McLennan 2004, Osborne 2003, Peck 2012), that is

*Ways of problem solving and “moving things on” (...). There is an ineliminable vagueness and “mobility” about these ideas because their significance can change with context, and they can be owned, and in the own, shifted in meaning, by different parts of the user network. Vehicular ideas have something of the principal theory or committed ideology to them, but in many ways are resistant to theorization in any rigorous sense. And this is not exactly their point. Rather they serve as inclusive umbrellas under which quite a range of advocates can shelter, trade and shift their alignments and allegiances (...) Unlike final moral and theoretical vocabularies, vehicular ideas are recognized to have multiple interpretations and a limited shelf-life. (McLennan 2004: 485)*

As such, vehicular ideas as produced and traded by specific intellectual workers, defined as mediators. The mediator reflect the shift from the so-called era of big narratives to that of small solutions; from the leverage to the brokerage model of intellectual intervention; from the advisory to the networked ideal-type of specialist expert (Osborne 2003).

These vehicular ideas feed the process of formation and circulation of fast policies (Peck, Theodore 2015). In this perspective, the global process of policy circulation is a complex system that needs to be analysed in its dialectic between movement and embedding, between unity and differentiation.

Circulating across institutions, States, and continents, policies change, cross different scales and are promoted, adopted and/or rejected by a multiplicity of actors on the base of their different interests, strategies and constraints. The study of these processes must thus take into account the ideological, political, institutional and organizational features of both policy-promoting and policy-receiving institutions. The research on this topic should therefore balance

- ethnographic and local-sensitive accounts of reception
- systemic accounts of global and inter-scalar policy production.

Finally hierarchical relations among different places, institutions and actors must be explored and considered themselves as result of the mobility processes – also considering the “context of contexts” of variegated neoliberalization.

*Coming to terms with the neoliberalized present – analytically and politically – must therefore involve thinking across the localized formations and global networks that characterize its contemporary reality, as well as across its many and varied registers, from macro-level rules of the game to particular policy programs (Peck, Theodore, Brenner 2012: 278)*

**4. Against the reconciling narrative of a present heading towards “smart and inclusive growth”, this paper claims welfare crisis to be part of a wider crisis in capital accumulation and sets Austerity within a long-term process of neoliberalization, articulated in moments of de-regulation/roll back and re-regulation/roll out (Brenner, Theodore, Peck 2010).**

Welfare crisis, as part of a wider capitalist crisis, in developing since the mid ‘70s (Gough 1979; Harvey 2005, 2013; Streeck 2013) and has primarily to do with the contradiction between the

conditions of capital accumulation and the improvement of the quality of life of citizens through the Welfare State. At the end of the '70s Ian Gough, analysing this contradiction from a Marxist Political Economy perspective, defined the welfare state and its crisis as an element of the historical reality of capitalism and emphasized that the very same elements that made capitalism flourish in the thirty years after World War II (high public spending for sustaining the demand) were at the time at the core of its crisis (high public deficits and “the fiscal crisis of the State”). In this scenario, he pointed to four possible scenarios of transformation of the Welfare State in order to overcome this contradiction:

- closer relation between public education and job training
- shift from welfare to workfare (i.e. activation, etc.)
- adoption of private sector standards and style of management in Public Services
- re-privatization of certain domains of welfare (i.e. the most profitable: housing, health, ecc.)

Since then political, economic and cultural shocks have completely changed the economic and political balance between labour and capital, opening the era of “the class struggle after the class struggle”. Thirty-five years after, we ask: how is this structural contradiction developing today? Which role is played by the above mentioned vehicular ideas in this development? Let us look to Southern Europe and emergent visions of the welfare state.

**5. Austerity policies have been producing a tremendous impact on Southern European economies and welfare states, with the consequence of a growing dualization between southern and eastern European countries and continental and nordic ones (Palier).**

Given the vehicular and performative character of these ideas, their adaptability to different contexts and interests, it is central to locate them in specific policy and national sector in order to evaluate their impact. Let's therefore sketch some very general features of European and South-European Welfare States.

Looking at European welfare state, three general features and trends must be recalled (Morel, Palier, Palme 2012; Ascoli, Pavolini 2012, Petmeisidou, Guillen 2014; Leon, Pavolini 2014):

1. the mixed character of South European Welfare, characterised by a mix of different historical elements and influences: Bismarckian pension system, Social-democratic universal healthcare and education systems, Familist anti-poverty and social assistance system
2. the long and controversial process of “recalibration”, inspiring EU welfare state reform since the ‘90s: attention to new social risks in the context of State retrenchment and cuts to public budgets
3. The limited impact of recalibration and “social investment” policies in Southern Europe in favour of incomplete reforms and massive State retrenchment

Italy and Spain are examples of Southern European welfare state and, moving from this historical common ground, from the ‘90s until the financial crisis they followed partially different trajectories, responding differently to the Europe-wide imperative of recalibration policy and world-wide neoliberal ideology of cuts to public budget and promotion of so-called self-responsibility and human capital. Main common trends are:

1. they represent examples of missed or partial recalibration
2. they missed the Lisbon Agenda goals of developing a knowledge-based economy
3. they are particularly hit by the economic crisis and austerity measures

On the other hand, Spain seems to have gone further on the road of recalibration, through

1. the introduction of a universal scheme of protection for poverty
2. the relative harmonization of pension schemes

Their trajectories re-converged after 2008, when dramatic public budget cuts hollowed the (partial and nationally uneven) achieved reforms by de-financing Welfare policies (idem).

**6. This phase is by no means only a destructive/roll back moment. On the contrary, we witness both the destructive and the productive moments at work: on the one hand state retrenchment from direct intervention and, on the other, State mobilization for regulatory restructuring aimed at opening new spaces for marketization and commodification of social rights.**

Italy is particularly fit to observe these re-regulation movement: in the field of national *policy*, the most important initiative is the so called “Civil Act” promoted in 2014 by Italian government and currently under Parliament’s discussion: a reform of the whole Third Sector, with particular attention to Social Enterprise. The reform aims at 1) attracting private investors in the fields of SE; 2) introducing the low-profit regime in SE regulation; 3) widening the fields in which SE can operate and 4) open SE governance to for-profit and PA shareholders; 5) favouring processes of merging among Third Sector Organization. As a consequence SE must take adequate organizational, economic and entrepreneurial measures in order to guarantee and reward private investments. Finally, a greater role for Third Sector Organization is urged in Welfare governance.

More specific, but nonetheless interesting for our purpose is law 221/2012, aimed at promoting innovative start-ups, un fifth of which is defined as social (95% of which active in R&D and cultural sectors). According to important analysts of the phenomenon, innovative start-ups can lead the process of “overcoming the clear-cut distinction between for-profit and non-profit” (Aiccon 2014).

At the local level, the policy field is much more fragmented at regional and municipal level but, as mentioned above, there is a common trend towards contractualisation mechanisms aimed at facing decreasing budgets and rewarding big Third Sector players while public Welfare effectiveness has been weakened with cuts above 50% of the gross national welfare expenditure (Fazzi 2012, Fazzi 2013, Gori 2014, Caritas 2014).

**7. Looking at the semiotic dimension of welfare restructuring, (at least) five vehicular ideas have been selected and are orienting welfare recalibration: sustainability, “universality”, measurability, smartness, hybridity. Looking closer to their use in the debate, major material implications emerge, heading towards a more entrepreneurial and financialized scenario.**

*Welfare must be sustainable* -- if the past was characterised by financial dependence from public funds and philanthropic grants, the current shift towards a more entrepreneurial identity leads to emphasize the *financial sustainability* of new projects and services. This sustainability is to be pursued in two ways: the development of a private market for welfare services and the transformation of Welfare in a new asset class for financial investments.

*Welfare must be not only for the disadvantaged* -- if the past was characterised by a major focus on activities and services for disadvantaged populations, the future must encompass services for paying citizens and public utilities management. Images of exclusion and poverty are thus selectively mobilized: on the one hand they provide reputation and guarantee the remaining of public Welfare budgets, on the other they are associated with “pauperistic” and



disempowering “old” practices of social work that a modern and entrepreneurial Welfare Community needs to be rejected.

*Welfare must be measurable* -- if the past was dominated by idealistic (now disregarded as “ideological”) commitment to the cause and by attention to the political dimension of social exclusion, the future is aimed at effectiveness and regulated by clear parameters and standards for impact measurement. These standards, if on the one hand are the natural evolution of the New Labour *post-ideological* choice for “what works” emerged by the end of the ‘90s, on the other hand they mark a qualitative leap in the direction of financialization as they are conceived as benchmark for the remuneration of the new “social investment” capitals.

*Welfare must be smart* – if the past was oriented to reparation, ex-post social assistance in order to relief people from social disease, the future must be oriented by the ideal of prevention, that is constructing the conditions for welfare and therefore prevent the formation and explosion of social disease.

*Welfare must be hybrid* -- if the past was oriented to a somehow “pure” idea of social work, in which the production of services was led by social and cultural values and benchmarks, the new Third Sector finds its legitimacy in its capacity to bring financial, entrepreneurial *and* social interests together. Hybridization includes the introduction of low-profit regime, the adoption of impact measurement standards and management models from the For Profit sector.

**8. Austerity policy and politics, combined with vehicular policy ideas such as with “smart” and “resilient” city programs suggest the dualization between smart and austere cities and citizens: entrepreneurial and financialized the former, indebted and left to community- and family-care the latter.**

Finally, we draw the attention to the co-existence of Austerity policies reducing the possible impact of public welfare services and the growing hybridization between the Non-Profit and For-Profit fields in the name of Social Business. We argue that this co-existence as much possible as problematic and we conclude by suggesting two complementary scenarios

The first scenario is a “smart utopia”, underpinned by Horizon 2020 keywords of sustainability, smartness and social inclusion: a private welfare market will flourish, thanks to the diffusion of Low Profit Social Enterprises in the private sector, the adoption of the New Public Governance framework in the public sector and the spread of social impact finance: economic growth will finally reconcile with social welfare. The social ideal-type resulting from this scenario is a young not-too-impooverished middle class family dwelling in a Real Estate Fund-owned social housing apartment-building, being cured in low-profit clinics and sending their children to their company kindergarten managed by a multinational Low Profit social enterprise.

Nonetheless, in the current context of Austerity and impoverishment of a growing part of the population, this sustainability utopia seems sustainable only for the (not to much) impoverished middle class which can afford all this social business products. This scenario has a blind spot on the growing number of non-paying citizens, living in relative or absolute poverty. To them is devoted the second scenario.

The second scenario is devoted to those lacking the human and economic capital required in order to reward social investors, whose welfare is therefore a cost with no measurable economic or social returns. This scenario is justified by specific features of current capitalism (financialization, shift from full employment to full employability, redistribution of wealth from labour to capital) and socio-political (growing political irrelevance of the poor, welfare retrenchment, shift from universal to professional army) models. For this unproductive population the governmental motto “make live and let die” reverses in “let live and make die” with the shift from the educational and promotional to the repressive function of the State. Underfinanced and de-qualified public services, contracted out to the Non-Profit branches of the Low-Profit social enterprises working in the Smart Utopia, will take care and control of this population.