The ‘social investment perspective’ in social policy: A longue durée perspective

Paul Smyth[a] and Christopher Deeming[b]

[a]School of Sociology and Political Science, University of Melbourne, Melbourne, Australia

[b]School of Social Work and Social Policy, University of Strathclyde, Glasgow, UK

Author Emails: p.smyth@unimelb.edu.au; chris.deeming@strath.ac.uk

Abstract

The ‘social investment perspective’ arguably represents the very latest justification for social policy to guide the development of the economy and society in the twenty-first century. As yet, its history remains largely unexplored. This article aims to place it in a wider framework by exploring theoretical considerations over a longer timescale, drawing on early observations of founding social theorists on social investment including R. H. Tawney, some of the thinking of T. H. Marshall as well as the radical political economies of welfare in the 1970s and 80s. The article links emerging ideas about ‘social investment’ to earlier ‘productivist’ traditions within social policy which informed the development of Western industrial welfare states; and shows how the productivist focus had been lost by the 1980s and 1990s with a consequent narrowing of focus to the redistributive role of the tax and transfer system. A longue durée perspective brings into sharp focus the ‘rediscovery’ of the potential of ‘social investment’ social policy in the closing years of the 20th century, as welfare states began to adapt to the new social and economic conditions of the post-industrial era. Our aim is not to present a systematic history of social policy and economic thought. It is rather exploratory, seeking to show from some of the key thinkers and movements in the British tradition important contextual elements for understanding ‘social investment’ that appear to have been lost in social policy debates over recent decades.

Keywords: social investment, inclusive growth, social policy history

Introduction

Despite growing interest in the diffusion of 'social investment' ideas in social policy, we find that to-date, scholars have not given enough serious attention to the history of the idea (Béland and Petersen 2014). Many, quite rightly, see social investment as a very recent development in social policy (e.g. Van Kersbergen and Hemerijck 2012), but few have reflected on the genealogy (cf. Morel et al. 2015). One recent text in the field highlighted the need for the social investment approach to be better integrated with economics (Morel et al. 2012). Noting the disconnect between social investment and economic neoliberalism, it pointed to the earlier ideas of Keynes and the Myrdals as suggesting the kind of new economic thinking which is needed today. This article is an exploration of some of the key historical antecedents of the contemporary 'social investment perspective' (Jenson 2010) in social policy.

In the discussion we attempt to explain why the history of social investment within social policy has largely gone unexplored and highlight some of the consequences of this; second, we show why the 'rediscovery' of the 'social investment' in social policy matters for the development of the discipline. Our exploration focusses on the British tradition (not confined to British authors but including some non-British thinkers influential on that tradition). We begin with the period of welfare ideologies just prior to the neoliberal ascendancy, then move to consider the foundations of the welfare state through the ideas of T. H. Marshall before finally examining the pre-welfare state social policy world exemplified by R. H. Tawney. From a long durée perspective (see for example Powell's 2003 longue durée study of 'quasi-markets' in British health policy for *Social Policy and Administration*) then we find that far from an early twentieth century novelty the idea of social investment has always been a foundational idea in social policy.

The 'social investment perspective' in social policy

While the language of 'social investment across the life course' (e.g. Hemerijck, 2015; Kvist 2015) now informs policy platforms around the world, the theoretical underpinnings of the new economic model remain fragile. For the most part this fragility stems from a confusion surrounding the relationship of welfare to economic policy in the new regime. Thus, critics of the social investment approach have presented it as a subordination of social policy goals to the market economy; while its champions have positioned it as an element of a 'post-neoliberal consensus' aimed at reconnecting markets to social goals. A central issue in these debates concerns the productive or economic contribution of social policy. It was precisely the claim to its productive value which set the social investment agenda apart from welfare state defenders on the one hand and neoliberal economists on the other. While the claim could muster support from more heterodox contemporary economic theory (e.g., endogenous growth theory) it appeared quite novel within social policy itself.

Since its emergence around the turn of the century a persistent criticism of the social investment agenda by defenders of the welfare state has been that it subordinates social goals to the market economy. While this is not the place for a detailed account of the politics of 'social investment' and the 'third way', clarity around the concepts is important. It should be noted that the emergent social investment agenda of state-led investment in human capital became a defining feature of 'third way' political thought in the late-1990s. That market competition necessities a constant intervention on the part of the state to promote 'social justice' and 'equality of opportunity' in the market, was emphasised by 'third way' theorists such as Anthony Giddens. In fact, Giddens (1998, p.99) originally coined the 'social investment state' term to show how welfare systems and investment in human capital were relevant to economic productivity. Nevertheless, there were significant differences of emphasis in social investment perspectives, particularly in the account of the protective functions of welfare. On the one hand Giddens (1998), accepted right wing critiques of 'passive' welfare expenditures, advocating strong labour market attachment policies ('work-first') to break 'welfare dependency'. On the other hand, Gøsta Esping-Andersen, Duncan Gallie, Anton Hemerijck and John Myles (2002) maintained that a strong economy requires a strong welfare state and social protection is of paramount importance even in the most productivist of welfare states (see further discussion, Deeming and Smyth 2015).

Ruth Lister (2002, 2003, 2004) was a prominent early critic of the social investment agenda associating it with a 'third way' politics that was about fiscal austerity and equality of opportunity rather than equality here and now. Later, writing with Dobrowolsky, she gave an account of the then mature social investment agenda of New Labour showing how it had cleared a path between 'New Right' and 'Old Left' interests and ideas and captured the middle ground (Dobrowolsky and Lister 2008). At the same time, they conclude that social policy still remained the 'handmaiden of economic policy' (p.132). Hartley Dean (2004) was another who thought that the human capital investment policy was overly focussed on 'the role of the citizen as an economic rather than a social actor and as a competitive individual rather than as a cooperative social being'. A second more limited critique acknowledged the legitimacy of social investment but saw it as crowding out traditional redistributive social protection. These kinds of critique reached their fullest expression in the article by Brian Nolan (2013) asking 'What use is "social investment"?' Nolan's nuanced analysis highlights the near impossibility of separating out social policies which are about investment from those about consumption – unemployment benefits as much as education has a dual social and economic function. But, of course, this is no reason not to take into account their productive value and Nolan's main case against the social investment approach is rather that an emphasis on justification in terms of 'mainstream' economic arguments will diminish the case based on social values (Anton Hemerijck, 2012 expresses similar concerns).

Importantly, Nolan is not completely opposed to a concern with the economic dimension of social policies. As with the earlier critics his concern is with the narrow, orthodox economics from which he thinks the best that social policy advocates can hope for is that 'some recalibration of welfare spending will be embraced in a context of overall retrenchment'. Nevertheless, he does allow that in some accounts of social investment (e.g. Evers and Guillemard 2012) there is an understanding that the goal of economic growth can include an orientation to greater 'social inclusion and the realization of social rights'; for example, where it contributes to a broad based, employment rich rather than narrow pattern of economic development.

This opinion suggests that for Nolan and many of the critics of the social investment approach, the chief stumbling block has been the understanding that it has been a misguided attempt at 'taking on the economists on their own ground and allowing them to frame the debate'. In fact, when we turn to the advocates of the approach we find that they see it as actually moving beyond the neoliberal economic paradigm. As Morel et al. (2015, p.137) write, 'past social policy approaches have been integrated with economic theories of different kinds'. This suggests we need to go beyond Keynesian and neo-classical economic theories and anchor the social investment approach in a new economic model'. It would seem then that in the earlier contest over the social investment approach the protagonists have largely been talking past each other. The nub of a new consensus is the need for a new economic model.

An intriguing feature of the European social policy literature is the extent to which thinking about social investment occurs largely within the shadow of austerity economics and\or, the German model (Vandenbroucke and Vleminckx 2011). In particular, we see little of that wind of renewal found in the countries of Latin America and Asia. European scholars seem scarcely to have engaged with the new economic model which has been developing around the emerging concept of 'inclusive growth' that allows people to contribute to and benefit from economic growth (see Smyth and Buchanan 2013; Hasmath 2015). As Midgley (2015) writes of 'social investment and inclusive growth', 'social policy will benefit from a greater awareness of the international social development literature, which is almost entirely absent from the Eurocentric social policy discourse on the subject'.

The concept of inclusive growth offers a policy model which responds directly to the types of critique of social investment by Nolan and links it to the kind of broader economic model sought by Morel et al. Among the international financial agencies, the dominance of the 'Washington consensus' is over. As Vetterlein (2013, p.53) observed, the 'Bretton Woods institutions' conceptions of development have changed over time… The erstwhile focus on economic growth as the sole precondition for development has been supplanted by a more holistic understanding of development that places social policies at the centre of development and poverty reduction'. Thus, Hasmath (2015) writes of the 'ultra pragmatic' Beijing consensus which has overtaken the 'fundamentalist adherence to … neoliberalism' (p.4). The agenda certainly promotes traditional social protection policies as a way to ensure all share in the benefits of growth. But it is equally emphatic on the productive side of social policy emphasising not just investments in human capability but also interventions to manage markets so that they ensure broad based economic participation as the basis of the welfare regime (Samans et al. 2015).

The adoption of an 'inclusive growth' research agenda by the OECD (2014) in collaboration with the World Bank is indicative of a new international consensus around the need for an economic model which can promote growth, reduce inequality and ensure environmental sustainability (see also recent reports for the IMF (Anand et al. 2013) and the World Economic Forum (Samans et al. 2015) for example). While the so-called 'Beijing Consensus' may lack a grand theoretical underpinning in economics it has clearly opened a new discursive space within which social policy scholars in developed economies can move beyond defensive concerns about the social investment approach and begin thinking constructively about the new positive reintegration of social with economic policy.

Historical swings and roundabouts of productive social policy

Reclaiming the productive dimension of social policy will be a challenge for contemporary social policy research. Since the 1990s social policy has become more and more boxed in as a specialised study of the tax and transfer system and its effects on poverty and inequality in the rich countries of the OECD (Mkandawire 2011; Smyth 2015). For example, in *The Oxford Handbook of the Welfare State,* Kuhnle and Sander (2010) associate the development of the welfare state with 'the emergence of social insurance in the countries of the European social complex'. The authors grant that this may appear 'relatively narrow' but think it justifiable because they associate foundational late nineteenth century social policy very much with the growth of 'social-insurance like policies'. Likewise, Adema and Whiteford's (2010) contemporary international comparison of what they call 'social effort' or 'social spending' focuses entirely on institutions providing support for people in 'circumstances that adversely affect their welfare' (i.e. pensions, benefits, allowances etc.). No productivist social policy alluded to here.

But this type of disciplinary myopia in relation to the economy is not a usual condition. As Nolan has reminded us, there was a well-developed understanding of the economic role of 'social investment' policy in the 1970s and 1980s and we will show below through the example of R. H. Tawney that this was also the case in the pre-welfare state period. We also show through the writing of T. H. Marshall that even in the period of the welfare state's highest legitimacy, the interaction of social with economic institutions remained a key concern. While each of these phases was very different in terms of context and policy priorities they should attune us at least to the kinds of questions that social policy researchers should have in mind as we look to a new integration of social with economic policy.

The ideologies of welfare and social investment

The academic debates over 'social investment' in the latter 1970s and early 80s appeared amid that theoretical flowering associated with the 'ideologies of welfare' literature which had followed what had been the top-down, empiricist phase focussed on the administration of the statutory services of the early welfare state (George and Wilding 1976; Mishra 1981; Taylor-Gooby and Dale 1981). At the centre of the new approach as outlined by Mishra was the creation of 'ideologies or models of welfare' which incorporated normative and explanatory theory and also widened what he called the ‘focus of analysis’. The emphasis on the social services associated with the work of Richard M. Titmuss, he wrote, had differentiated “the ‘social’ too sharply from the ‘economic’” (p.22). Overcoming this dichotomy had become an imperative as a global economic crisis associated with ‘stagflation’ engulfed the welfare state in a fiscal crisis.

A range of ‘models’ were then developing which included a Marxist new left and a monetarist neoliberal right with several centrist positions in between. As the ‘crisis’ developed, however, centrist positions crumbled and social policy thinking about the economy polarised. The critical policy issue forcing the integration of social with economic analysis was ‘stagflation’ whereby traditional Keynesian stimuli to reduce unemployment had no effect as they were absorbed by inflation. Claus Offe’s (1984) account of ‘some contradictions’ of the welfare state provides a useful point of departure for exploring the radical perspectives. The welfare state, he writes, had had a ‘multi-functional character’ accommodating a range of potentially conflicting political interests (social democratic, enlightened conservative etc.). Importantly, this role had been underpinned by Keynesian economics whereby the welfare state was not seen as a ‘burden imposed upon the economy, but as a built-in economic and political stabilizer which could help to regenerate the forces of economic growth and prevent the economy from spiralling downward into deep recession’ (1984, p. 148).

With the global recession in the late 1970s however, this centre had been unable to hold. According to Offe, the monetarists argued that the welfare state harmed rather than helped market forces achieve ‘social peace and progress’ (1984, p.149). Excessive taxation and regulation had become disincentives to investment while welfare benefits had become disincentives to work. For the socialist left the welfare state had proven ‘ineffective and inefficient’ insofar as it had not eliminated the income gap between labour and capital and had focussed on amelioration rather than prevention. The bureaucratic form of the social services had proven repressive with the needy having to submit to the ‘moral order’ of society in return for their benefits; while more generally, the working class was indoctrinated into ‘class co-operation’ and did not see that the expansion of ‘social rights’ had to be complemented by greater ‘workers’ rights’ in the sphere of production.

It was within this policy context that O’Connor (1973) developed his class analysis of public finance to better understand the varied composition and purposes of ‘social investment’. From his Marxist perspective he understood the state to have two basic and often contradictory functions: accumulation and legitimation. The former concerned ensuring the profitability of capital, the latter the maintenance of social harmony between the classes. These functions led to two types of state expenditure: social capital and social expenses. Social capital could be further analysed in terms of social investment and social consumption. The first aimed at raising the productivity of labour and thereby the rate of profit and the latter at lowering the cost of reproducing labour and thereby also raising the rate of profit. Social expenses, on the other hand were more directly concerned with legitimation of which the best example was the welfare system 'which is designed chiefly to keep the peace among unemployed workers' (1973, p.7). O'Connor observed that most social investments had more than one of these functions.

More generally, the social investment approach allowed the left to show, as Gough (1975) put it, that the growing share of public spending in the post war period had been 'far from antagonistic to private capital accumulation' becoming 'increasingly a necessary prerequisite'. Of course, from a Marxist perspective the challenge was to show that social investment was about more than a means of heightening labour exploitation. Gough (1975; and see Taylor-Gooby and Dale 1981) notably distanced his analysis from an overly functionalist interpretation emphasising the reality of political agency (meaning that within welfare states class conflicts would be balanced differently with working class gains and losses varying accordingly).

The understanding of the productive value of social policy was not confined to radical Marxists. Orthodox economists – Keynesian and otherwise – wrote of the returns on investment in human capital (e.g. Mincer 1958; Schulz 1961). Andersson (2007) has traced the history of the concept of social policy as investment in Swedish social democratic thought from its origins in the late 19th century through to the 'third way'. Framed in institutionalist rather than structuralist economics, notably by the Myrdals in the 1930s, it was basic to the 'strong society' model of productive welfare which persisted in Sweden through to the 1960s (Angresano 1997).

Andersson shows that by the emergence of 'third way' thinking in Sweden in the 1980s this productivist orthodoxy had been displaced by a new welfare agenda focussing on the 'socially excluded' for whom the pattern of economic growth had become the problem rather than the solution and for whom social protection rather than intensified productivism seemed necessary. This weakening commitment to the productivist model helped pave the way for the neoliberal alternative. As Offe writes more generally of welfare states at this time, a similar disillusion with the post-war growth encouraged new middle class, post-materialist social movements seeking a 'non-bureaucratic, decentralized, and egalitarian model of a self-reliant "welfare society"' (1984, p.159); this disenchantment with growth increasingly left the field of economic policy to a resurgent neoliberalism.

Can workers become gentlemen? T. H. Marshall

In this section we push back beyond the age of 'radicalism' to the 'golden age' of the welfare state and in particular the thinking of T. H. Marshall. Marshall of course was a major contributor to the theory of citizenship and the welfare state (Béland 2010). Evers and Guillemard (2012) provide an excellent recent summary of key debates over the contemporary relevance of Marshall's theory of citizenship including the balance of rights and obligations, the place of 'active citizenship', and the relevance of Esping-Andersen's account of decommodification and so on. These matters lie outside the scope of our article. Instead we pursue the question of how Marshall saw the relationship between social policy and the economy? In particular, did he recognise the social investment and productivist functions of social policy?

According to most of the literature we would not expect to find this as a defining feature of Marshall's thinking about social policy. This period is most often seen as one of neglect of the economy in social policy thinking. Midgley (2015), for example, writes that pre-war concerns with social investment were 'subverted by the popularisation of Marshall's writings on social rights and Titmuss's work on altruism' so that an historic concern with economic participation was displaced by a focus 'instead on welfare transfers through the agency of the state'. Indeed, Midgley sees an ongoing Marshall legacy of neglect in Esping-Andersen's work on 'decommodification' (Esping-Andersen 1990), van Parijs (2015) on 'basic income' and Fitzpatrick (2004) on 'post-productivist' welfare.

A full reading of how Marshall thought of the relationship of social policy to the economy would need to canvass his understanding of how the welfare state regime related to earlier 'New Liberal' and socialist agendas, of how it had come to 'substitute for socialism' in post-war 'New Fabianism' and 'end of ideology' thinking, and lastly of how it was being superseded in the 'affluent society'. Such a reading would encompass the subtle changes identified by scholars from the 'early' to the 'late' Marshall (see Reisman 2005; Holmwood 2000; Powell 2002; Rees 1995). For our purposes it will be sufficient to identify the core ideas in what was a significant engagement with the relationship of social policy to the economy; albeit one which did neglect the productivist contribution of welfare as well as the ways in which economic policy needed to be integrated with welfare effort in the pursuit of social goals. Here we revisit the most salient works of this engagement: the first on citizenship and social class and then the later writings on the 'hyphenated society'.

Marshall's work *Citizenship and Social Class* is particularly important for our investigation because it takes as its central theme the question posed a half a century earlier by the economist Alfred Marshall: 'The question is not whether all men will ultimately be equal – that they certainly will not - but whether progress may not go on steadily, if slowly, till, by occupation at least, every man is a gentleman' (quoted in Marshall 1950, p.4). Part of T. H. Marshall's ambition here was to show the distinctive contribution sociology could make to answering this question. The role of the economist he thought was to consider whether the necessary resources would be available and how they might be combined most efficiently to achieve the given end. But what was the end? Marshall argued that measuring equality was not about a simple quantitative assessment in terms of goods and services but involved: 'a qualitative assessment of life as a whole in terms of the essential elements in civilization or culture'. In that light he understood Alfred Marshall to be:

> 'taking as the standard of civilised life the conditions regarded by his generation as appropriate to a gentleman. We can go on to say that the claim of all to enjoy these conditions is a claim to be admitted to a share in the social heritage, which in turn means a claim to be accepted as full members of the society, that is, as citizens' (Marshall 1950, pp.7-8).

The famous account of the development of the civil, political and social rights of citizenship which followed identifies what Marshall considered had become accepted as the elements of a civilised life in Britain by the middle of the twentieth century. The overview discussed education, legal aid, health education, pensions, housing, social insurance, with the main emphases being the way social rights in these areas represent 'an invasion of contract by status'; and the impact of this public provision in reducing the social significance of income inequalities.

For our purposes it is notable that throughout this discussion Marshall makes the case for the social rights of citizenship in sociological terms with virtually no reference to their impact on the economy - either productive or counterproductive. But in the conclusion he returns to Alfred Marshall's proposition that any intervention to civilise the 'working man' must not interfere with the freedom of the market. And he notes that another economist, Lionel Robbins, had recently declared attempts to 'run an egalitarian real income system side by side with an inegalitarian money income system [were]… somewhat *simpliste*'. Marshall (1950, p.84) responded in kind, finding Robbins' 'logic of the market' inapplicable in the real world and needing to be tempered by the realism of the sociologist 'who remembers that social behaviour is not governed by logic, and that a human society can make a square meal out of a stew of paradox…'.

The certain antipathy to economics expressed here probably reflects a context in which the full political effects of the 'Keynesian settlement' and 'end of ideology' were not yet manifest. But it is notable that even the younger more radical Marshall emphasised the importance of a strong market based economy as a basis for and complement to social rights. The late nineteenth century surge in social reform, he noted, had been enabled in part by a widespread rise of money incomes and spread of mass production which helped reduce the social gap between the classes. This positive valuation of the market economy became more pronounced over time. Thus Marshall (1981, p.135) declared that 'I am one of those who believe that it is hardly possible to maintain democratic freedoms in a society which does not contain a large area of economic freedom and that the incentives provided by and expressed in competitive markets make a contribution to efficiency and to progress in the production and distribution of wealth which cannot… be derived from any other source'.

Later in the very first issue of the *Journal of Social Policy* and a subsequent commentary, Marshall (1972, 1981) addressed more fully that 'stew of paradox' identified above. These writings reflect a very different context. Thus Marshall writes of a world in which the early post-war socialist aspirations for a centrally owned and planned economy represented by the work of the economist Evan Durbin had given way to what he called the 'hyphenated society': democratic-welfare-capitalism. In it were three distinct but interdependent spheres. Each of 'the sectors', Marshall (1981, p.125-6) said, should 'enjoy a measure of autonomy derived from the power inherent in their axial principles…. [each] can invoke an authority independent of, and arguably equal in status to, those invoked for the other two'. One sphere was the market. Second was the welfare sector which was needed because 'the market value of an individual cannot be the measure of his [her] right to welfare' in a welfare state which assigns every citizen equal value. And third was the political arena of democratic government. Each being organised on a different axial principle required different modes of organisation to achieve their respective goals. While the distinctions between the sectors can sometimes be obscured in practice Marshall (1981, pp.124-125) warns against blurring the differences:

> 'the hyphen links…different and contrasted elements together to create a new entity whose character is the product of the combination, but not the fusion, of the components, whose separate identities are preserved intact and are of equal contributory status…The tie is unbreakable except by the destruction or degradation of one of the partners…'

Marshall's analysis of the interaction of welfare and economy was more or less entirely concerned with distributional effects, namely the way in which market inequalities are or are not offset by welfare. In the later reflection on the hyphenated society he chose to substitute the 'mixed economy' for 'capitalism' or 'the market' and gestured towards an idea of it working in a complementary way with the welfare system to meet people's wants and needs. But he pulls up short on any discussion of how the 'anti-social elements in the capitalist market' might be tackled through 'action within the economy itself' (Marshall 1981, p.123-135). What is notable here is the absence of any mention of Keynes or Keynesian economics, or even full employment in this rather tentative discussion of the 'mixed economy'. Given that Beveridge himself - whom Marshall portrays as a founder of the British welfare estate – wrote so emphatically about full employment as the foundation of the free society this gap in Marshall's thinking is surprising.

If there was a blind spot in Marshall's schema towards the kinds of economic interventions needed to eradicate the anti-social aspects of the market economy there was also an absence of understanding of the productivist value of welfare policy. This is very apparent when set side by side with the Swedish understanding of productivist social policy as it was summarised by Myrdal (1972) in the very same first issue of the *Journal of Social Policy*. Classical and neoclassical economics had tended, he said, to assume 'a conflict between economic growth and egalitarian reforms' (p.5). With the development of welfare states, the idea emerged that welfare systems instead of being costly for a society were actually laying a basis for more steady and rapid economic growth. In Sweden in the 1930s the idea of social policies as 'an investment in progress' had focussed on what he called preventative, or 'prophylactic' policy designed to save individuals and families from future costs and/or increasing their productivity (p.6). Productive social policies in this sense could include housing, health, education, nutrition, supporting people with disabilities, treating young offenders and income redistribution even including old age pensions as families no longer had the time to care for the aged without serious financial penalties. Emphasising these 'productivity effects of consumption' Myrdal explained how an earlier reform emphasis in Sweden on the socialization of major industry and finance had switched in the 1950s to the 'socialisation of consumption'. At the same time, he emphasised that economic success was not simply a result of productivist welfare but a complementary array of economic policies including, full employment, free trade, and labour market regulation.

Today we do see significant interest in Marshall's work for those seeking to reconstruct a middle way agenda after the extremes of left and right. Thus Evers and Guillemard (2012) show how citizenship rights can be understood to include social investments in capabilities. While Margaret Somers (2008) 'triadic' approach to the renewal of citizenship highlights the continuing relevance of recognising the distinctive contributions of market, state and civil society. Nevertheless, Marshall's framework showed little understanding of the productive importance of welfare as discussed here by Myrdal and expanded later by O'Connor and others. Nor did he show any detailed understanding of the kinds of social interventions in the economy which might be needed to complement the welfare system if capitalism was indeed to be civilised. Still, the Marshallian legacy of non-productivist welfare thinkers (see Midgley 2015) is perhaps overstated, for he actually took account of the importance of a well-functioning economy in his work, particularly the later Marshall who pursued the idea of the 'mixed economy' of welfare and, as Titmuss observes in his introduction to *Equality*, Marshall certainly believed in democratic socialist objectives such as inclusive growth and prosperity, 'in which all are promised a share by the market' (Tawney 1964, p.16). Although Marshall never explicitly clarified his change of views, he was certainly thinking in terms of a Keynesian mix of state and markets where state or social intervention in the economy (not just social welfare policy) was seen as important in improving economic performance and removing the anti-social tendencies of mass unemployment and poverty. In his later writings he was very cognizant of the contingent nature of the regime partly because of the contradictory roles assigned to inequality in the 'economy' and in the 'welfare' spheres. Indeed, we have seen how the centre did not hold and social policy was reframed in the radicalism of left and right ideology.

R. H. Tawney on social investment

It is significant that contemporaries continue to see value in Marshall's 'triadic' approach. From the age of radicalism social policy was largely constructed within a no compromise contest of state *versus* market. But the idea of social investment demands positive roles of both state *and* the market. Perhaps the Cold War culture encouraged the polarisation of the radical years (see Petersen, 2013), but it is striking that when we look to the century or so which preceded the welfare state it was a state *and* market approach which was more the norm. There is a large literature on this, whether we look to 'new liberalism' from T. H. Green or to Keynes or the varieties of socialism from Fabianism to Christian socialism, to guild socialism and so on we see this to be the case. Probably the most influential and best known exemplar for present day champions of a triadic approach is Karl Polanyi with his idea of overcoming the commodification of land, labour and money through the re-embedding of the market in society (see Holmwood 2000; Block and Sommers 2014; Glasman 1996; Streeck 2014). Here we highlight the work of R. H. Tawney. Perhaps the most representative British figure of the interwar period, his ideas are 'owned' not only by all sides of the British left, but as Freeden (1986) writes, also the new liberals (Clift and Tomlinson 2002). A figure of such influence has naturally generated numerous biographies and not without scholarly controversy. Broadly speaking these differences relate very much as to how people 'place' Tawney's politics in relation to differences between liberals and socialists in the period; and also within socialism itself as between Fabian planning and more decentralised versions of a socialist economy (Terrill 1973; Greenleaf 1983; Wright 1987; Goldman 2013). This complexity lies beyond this article. Rather we highlight general features of his work which offer us a window into a period in the development of social policy when welfare issues were but one arm of social interventions designed to harness markets in the service of equality and freedom.

Part of Tawney's protean appeal was his eschewal of grand theory. His major work of economic history, *Religion and the Rise of Capitalism* (1937), for example, was well informed by the sociology of Weber and the political economy of Marx but not contained by them. In the manner of Polanyi, the history shows the rise of the market economy undoing the ethical foundations and institutions of the medieval economy with the market promoted as a natural law to which society must submit. All commentary stresses the way in which Tawney's interpretation was grounded in a Christian ethics. His best known works, *The Acquisitive Society* and *Equality* present this 'ethical socialist' view of how markets might contribute to a society based on values of equality and freedom.

Tawney (1982, p.23) aligned his values with 'the great individualists of the eighteenth century, Jefferson and Turgot and Condorcet and Adam Smith…. Whose ideal was a society where each man had free access to the economic opportunities which he could use and enjoy the wealth which by his efforts he had created'. He also emphasised fellowship or the 'common humanity' which individuals share, requiring a society which pursues equality to the extent that differences of 'character and intelligence' far outweigh 'economic and social differences between different groups'. As important as equality was to Tawney, in the end it needed to serve the freedom of individuals to become the best of which they are capable. Achieving such a society of equals meant a strategy to end unearned privilege and 'the conversion of economic power, now often an irresponsible tyrant into the servant of society, working within clearly defined limits and accountable for its actions to a public authority' (Tawney 1952, p.15).

In this pre-welfare state world, social and economic policy were not organised into separate divisions. Eliminating the antisocial elements of capitalism meant primarily social intervention in the economy but supported by welfare in the narrow sense of taxes and transfers. Thus Tawney framed his strategy for equality in terms of the transition from an 'acquisitive society' to one based on social function. Industries would no longer be organised mainly around individual financial gain but around the service they performed to society. Unlike some Fabians, Tawney did not think this automatically translated into nationalisation (which may or may not be efficient) and centralised economic planning. Some parts of the economy presented as more suited to public ownership (e.g. utilities than others, such as luxury goods). Indeed, as Clift and Tomlinson (2002) write, Tawney had important but neglected ideas on how to assist the private sector to fulfil public functions - what we might call corporate social responsibility. He also emphasised the importance of trade unions for greater economic democracy, industrial regulation in reducing inequality; and the development of machinery to ensure that 'the larger questions of economic strategy and industrial organization are treated as … a public concern and that those who decide them … be accountable to the public….' (Tawney 1952, p.194).

The strategic role of social services and progressive taxation was to help redress the disparities of opportunity created by inequality. Tawney (1952, p.169) held strong views of the productive value of this social investment:

> 'In reality, of course, the greater part of the expenditure upon the social services is not a liability but an investment, the dividends of which are not the less substantial because they

are paid, not in cash, but in strengthened individual energies and an increased capacity for cooperative effort…'

Tawney's ideas were known to Swedish Social Democrats at the time (Andersson 2007) and shared that same understanding of social services as both consumption and investment found in Myrdal (1972); and later, among thinkers on left in the 1970s. Further, while Tawney has been associated with the revival of pro-market elements of the British 'third way' he was no advocate of the kind of 'social investment plus free markets' that people like Nolan associate with that period (Tomlinson 2002; Clift and Tomlinson 2002). Taxes and transfers, for Tawney were but one part of a larger economic strategy to eliminate the antisocial inequalities of power and resources found in market society. The heavy lifting was to be done through a mix of economic ownership, public regulation and planning together with professional associations all geared toward public service in a society of equals.

Conclusion and discussion

To help mark the *Social Policy and Administration* 50th Anniversary Conference, this long durée perspective has attempted to trace and revive some of the early traditions of social investment social policy thinking within the discipline. It began with our curiosity about its popularity as a political programme associated with 'third way' thinking at the turn of the last century on the one hand but its struggle to develop as a theoretical paradigm on the other hand. The struggle was reflected in the suspicion among some social policy researchers of a subordination of the social to neoliberalism while supporters struggled with the absence of a compatible 'new economic model'. The very novelty of the idea suggested a certain lack of intellectual weight. So we set out to build upon the few suggestions in the literature that social investment might have a stronger policy pedigree than had been otherwise assumed.

We picked up the threads of social policy as investment in the 1970s and 1980s. New Left Marxists were seen to have had a comprehensive theory of social investment based on accumulation and legitimation and with the small proportion of social policies aimed mainly at protection merging into those where consumption was also highly oriented to production and, finally into those social investments which were focussed on the provision of an economic infrastructure to promote greater accumulation. Conceptualised within a radical political economy framework which looked to the end of private property and the market economy, this understanding of social investment simply disappeared from social policy with the triumph of the radical right in the 1980s and 1990s. Today – albeit recast in terms of contemporary political economy - it remains important as an exemplar of the kind of schematic policy classification needed if we are to reintegrate today's restricted categorisation of social policy in terms of social protection with one encompassing its productivist functions.

In the preceding period we explored the way in which, as T. H. Marshall (1981, p.129) himself wrote, the broad 'holistic idea of the welfare state' which had shaped the Keynes-Beveridge period became 'identified with that particular, limited sphere of public affairs which we call social policy'. As old ideological battle lines collapsed the relationship between economic and social policy became for Marshall a 'stew of paradox'. While he had little sense of the productive value of social consumption, the later Marshall gestured strongly towards the idea that a focus on social protection alone would never suffice. Hence the importance he came to attach to the 'mixed economy' as partner to the welfare state in tackling the anti-social elements of the market economy. Marshall's enduring significance is to point out that if we want social policy models which unite an emphasis on market freedoms with social equality then we need a renewal of a triadic policy regime which respects the different roles required of state, market and civil society.

In the work of R. H. Tawney we encounter that broad holistic thinking about social and economic policy overshadowed in the immediate post-war period. As with the later New Left we have a full understanding of the interdependencies of economic and social policy and of the productive value of social consumption in any strategy for equality. But unlike the New Left and more like Marshall the policy regime is not cast upon a radical incompatibility of state and market (cf. Esping-Andersen 1985). It suggests the need for rethinking social policy regimes based not on the radical contest of 'politics against markets' but on a new emerging middle ground, a symbiotic relationship of 'politics and markets' that Tawney appeared to recognise as essential for economic growth (what Iversen and Soskice have recently described as (2015) as 'politics for markets'). Tawney's pre-welfare state analysis, along with that of Polanyi provide starting points for building social policy models which can re-balance the roles of state, market and civil society in a social investment framework.

From a long durée perspective then we find that far from an early twentieth century novelty the idea of social investment has always been a foundational idea in social policy. Indeed, we see present day interpretations of the social investment perspective being rather narrowly focused on equipping and preparing individuals for their participation in the market economy (Hemerijck 2017, forthcoming; Midgley 2017, forthcoming), neglecting the 'mixed' economy as a whole and whether it is working for everybody (Deeming and Smyth 2017, forthcoming). We are also able to trace the current amnesia about social investment to the impact of the age of radicalism in social policy when the left gave up on the 'mixed economy' and neoliberals began their crusade against the state. Today as the international economic community shifts into a more pragmatic mode this social policy history suggests the kinds of policies and principles which need to be back on the table to in order to tackle social inequality generated by markets and end what Paul Pierson has termed the era of 'permanent austerity' in Western Democracies (Pierson 2001).

Acknowledgements

This article was presented at the Social Policy and Administration 50th Anniversary Conference at the University of Birmingham, Friday 1st April 2016. We thank the conference organisers, the Journal Editors, and referees for helpful comments on an earlier version of the manuscript. Christopher Deeming was supported by a three-year research council fellowship (UK Economic and Social Research Council award ES/K001353/1 'New Cultural Contradictions in Western Societies').

References

Adema, W. and Whiteford, P. (2010), 'Public and Private Welfare', in F.G. Castles, S. Leibfried, J. Lewis, H. Obinger and C. Pierson (eds.), *The Oxford Handbook of the Welfare State*, Oxford: Oxford University Press, pp. 121-138.

Anand, R., Mishra, S. and S. J. Peiris (2013), *Inclusive Growth: Measurement and Determinants*, IMF Working Paper WP/13/135, Washington, DC: International Monetary Fund.

Andersson, J. (2007), *Between Growth and Security. Swedish Social Democracy from a Strong Society to a Third Way*, Manchester: Manchester University Press.

Angresano, J (1997), *The Political Economy of Gunnar Myrdal: an institutional basis for the transformation problem*, Cheltenham: Edward Elgar.

Béland, D. (2010), *What is Social Policy? Understanding the welfare state*, Cambridge: Polity Press.

Béland, D. and K. Petersen, (eds.) (2014), *Analysing Social Policy Concepts and Language: Comparative and Transnational Perspectives*, Bristol: Policy Press.

Block, F. and Somers, M. (2014), *The Power of Market Fundamentalism Karl Polanyi's Critique*, Cambridge: Harvard University Press.

Clift, B. and Tomlinson, J. (2002), 'Tawney and the third way', *Journal of Political Ideologies*, 7:3, pp. 315-331.

Dean, H. (2004), 'The implications of third way social policy for inequality, social cohesion and citizenship', in J. Lewis & R. Surender (eds), *Welfare state change towards a third way?*, Oxford: Oxford University Press, pp.182–206.

Deeming, C. and P. Smyth (2015), Social Investment after Neoliberalism: Policy Paradigms and Political Platforms, *Journal of Social Policy*, 44:2, pp. 297-318.

Deeming, C. and Smyth, P. (eds) (2017, forthcoming), *Reframing Global Social Policy: Inclusive Growth and the Social Investment Perspective*, Bristol: Policy Press.

Dobrowolsky, A. and Lister, R. (2008), 'Social investment: the discourse and the dimensions of change', in M. Powell (ed.), *Modernising the welfare state: The Blair legacy*, Bristol: Policy Press, 125-42.

Esping-Andersen, G. (1985), *Politics against Markets: The Social Democratic Road to Power*, Princeton, NJ: Princeton University Press.

Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press and Princeton, NJ: Princeton University Press.

Esping-Andersen, G., D. Gallie, A. Hemerijck and J. Myles, (eds.) (2002), *Why We Need a New Welfare State*, Oxford: Oxford University Press.

Evers, A. and Guillemard, A. (eds) (2012), *Social Policy and Citizenship: The Changing Landscape*, Oxford, Oxford University Press.

Fitzpatrick, T. (2004), 'A post-productivist future for social democracy', *Social Policy and Society*, 3:3, pp. 213-224.

Freeden, M. (1986), *Liberalism Divided: a Study in British Political Thought 1914-1939*, Oxford: Clarendon Press.

George, V. and Wilding, P. (1976), *Ideology and Social Welfare*, London: Routledge & Kegan Paul.

Giddens, A. (1998), *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press.

Glasman, M. (1996), *Unnecessary Suffering: Managing Market Utopia*, London: Verso.

Goldman, L. (2013), *The Life of R. H. Tawney: Socialism and History*, London: Bloomsbury.

Gough, I. (1975), 'State expenditure in advanced capitalism', *New Left Review*, I/92, pp. 53-92.

Greenleaf, W. H. (1983), *The British Political Tradition Volume Two: The Ideological Tradition*, London: Routledge.

Hasmath, R. (ed.) (2015), *Inclusive Growth, Development and Welfare Policy*, Oxon: Routledge.

Hemerijck, A. (2012), 'The political economy of social investment', in L. Burroni, M. Keune and G. Meardi (eds.), *Economy and Society in Europe: A Relationship in Crisis*, Cheltenham: Edward Elgar, pp. 40-60.

Hemerijck, A. (2015), The Quiet Paradigm Revolution of Social Investment, *Social Politics: International Studies in Gender, State & Society* 22:2, pp. 242-256.

Hemerijck, A. (ed.) (2017, forthcoming), *The Uses of Social Investment*, Oxford: Oxford University Press.

Holmwood, J. (2000), 'Three Pillars of Welfare State Theory: T H Marshall, Karl Polanyi and Alva Myrdal in defence of the national Welfare State', *European Journal of Social Theory*, 3:1, pp. 23-59.

Iversen, T. and D. Soskice (2015), 'Politics for markets', *Journal of European Social Policy* 25: 1, pp. 76-93.

Jenson, J. (2010), 'Diffusing Ideas for After Neoliberalism: The Social Investment Perspective in Europe and Latin America', *Global Social Policy* 10:1, pp. 59-84.

Kuhnle, S. and Sander, A. (2010), 'The Emergence of the Western Welfare State', in F.G. Castles, S. Leibfried, J. Lewis, H. Obinger and C. Pierson (eds), *The Oxford Handbook of the Welfare State*, Oxford: Oxford University Press, pp. 61-80.

Kvist, J. (2015), A framework for social investment strategies: Integrating generational, life course and gender perspectives in the EU social investment strategy, *Comparative European Politics* 13:1, pp. 131–49.

Lister, R. (2002), 'Towards a new welfare settlement?', in C. Hay (ed.), *British politics today*, Cambridge: Polity Press, 127–156.

Lister, R. (2003), 'Investing in the citizen-workers of the future: transformations in citizenship and the state under New Labour', *Social Policy and Administration*, 37:5, pp. 427–43.

Lister, R. (2004), 'The Third Way's social investment state', in J. Lewis and R. Surender (eds.) 2004, *Welfare state change towards a third way?*, Oxford: Oxford University Press, pp.157–81.

Marshall, T. H. (1950), *Citizenship and Social Class and other essays*, Cambridge: Cambridge University Press.

Marshall, T. H. (1972), 'Value Problems of Welfare-Capitalism', *Journal of Social Policy*, 1:1, pp.15-32.

Marshall, T. H. (1981), *The Right to Welfare and other essays*, London: Heinemann Educational Books.

Midgley, J. (2015), 'Social Investment, Inclusive Growth and the State', in R. Hasmath (ed.) *Inclusive Growth, Development and Welfare Policy*, Oxon: Routledge, pp.91-107.

Midgley, J., Dahl, E. and Wright, A. C. (eds.) (2017, forthcoming), *Social Investment and Social Welfare: International and Critical Perspectives*. Cheltenham: Edward Elgar.

Mincer, J. (1958), 'Investment in Human Capital and Personal Income Distribution', *Journal of Political Economy*, 66:4, pp. 281-302.

Mishra, R. (1981), *Society and Social Policy: Theoretical Perspectives on Welfare*, 2nd Edition, London: Macmillan.

Mkandawire, T. (2011), 'Welfare regimes and economic development: Bridging the conceptual gap', in V. Fitzgerald, J. Myer and R. Thorp, (eds.) *Overcoming the Persistence of Poverty and Inequality,* Basingstoke: Palgrave, pp.149-171.

Morel, N., B. Palier and J. Palme, (eds.) (2012), *Towards a social investment welfare state? Ideas, policies and challenges,* Bristol: Policy Press.

Morel, N., B. Palier and J. Palme, (eds.) (2015), 'The Long Road Towards a Social Investment Welfare State', in R. Hasmath (ed.) *Inclusive Growth, Development and Welfare Policy,* Oxon: Routledge, pp. 124-141.

Myrdal, G. (1972), 'The place of values in social policy', *Journal of Social Policy,* 1:1, pp. 1-14.

Nolan, B. (2013), 'What use is "social investment"?, *Journal of European Social Policy,* 23:5, pp. 459-468.

O'Connor, J. (1973), *The Fiscal Crisis of the Welfare State*, New York, NY: St Martin's Press.

OECD (2014), *Changing the Conversation on Growth: Going Inclusive*, New York, NY: Ford Foundation.

Offe, C. (1984), *Contradictions of the Welfare State*, London: Hutchinson.

Petersen, K. (2013), The early Cold War and the Western welfare state, *Journal of International and Comparative Social Policy*, 29, 3: 226–40.

Pierson, P. (2001), 'Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies', in P. Pierson (ed.), *The New Politics of the Welfare State*, Oxford: Oxford University Press, pp. 369-406.

Powell, M. (2002), 'The Hidden History of Social Citizenship', *Citizenship Studies,* 6:3, pp. 229-224.

Powell, M. (2003), Quasi-markets in British Health Policy: A Longue Durée Perspective, *Social Policy & Administration*, 37:7, pp. 725-741.

Rees, A. M. (1995), 'The Other T. H. Marshall', *Journal of Social Policy,* 24:3, pp. 341-362.

Reisman, D. (2005), *Democracy and Exchange Schumpeter, Galbraith, T. H. Marshall, Titmuss and Adam Smith*, Edward Elgar, Cheltenham.

Samans, R., Blanke, J, Corrigan, G. and M. Drzeniek (2015), *The Inclusive Growth and Development Report 2015*, Geneva: World Economic Forum.

Schulz, T. (1961), 'Investment in Human Capital', *The American Economic Review*, 51:1, pp.1-17.

Smyth, P. and Buchanan, J. (eds.) (2013), *Inclusive Growth in Australia*, Sydney: Allen & Unwin.

Smyth, P. (2015), 'Social Investment for Inclusive Growth in Australia, in R. Hasmath (ed.) *Inclusive Growth, Development and Welfare Policy*, Oxon: Routledge, pp. 179-194.

Somers, M. (2008), *Genealogies of Citizenship Markets, Statelessness, and the Right to Have Rights*, Cambridge: Cambridge University Press.

Streeck, W. (2014), *Buying Time: The Delayed Crisis of Democratic Capitalism*, London: Verso.

Tawney, R.H. (1982), *The Acquisitive Society*, Brighton: Wheatsheaf Books.

Tawney, R.H. (1952), *Equality*, London: George Allen and Unwin.

Tawney, R.H. (1964), *Equality: with a new introduction by Richard M. Titmuss*, London: George Allen and Unwin.

Tawney, R.H. (1937), *Religion and the Rise of Capitalism*, London: John Murray.

Taylor-Gooby, P. and Dale, J. (1981), *Social Theory and Social Welfare*, London: Edward Arnold.

Terrill, R. (1973), *R. H. Tawney and His Times Socialism as Fellowship*, Cambridge: Harvard University Press.

Tomlinson, J. (2002), 'The Limits of Tawney's Ethical Socialism: A Historical perspective on the Labour Party and the Market', *Contemporary British History*, 16:4, pp. 1-16.

Vandenbroucke, F. and K. Vleminckx (2011), 'Disappointing poverty trends: is the social investment state to blame?', *Journal of European Social Policy* 21:5, pp. 450-471.

Van Kersbergen, K. and A. Hemerijck (2012), 'Two Decades of Change in Europe: The Emergence of the Social Investment State', *Journal of Social Policy*, 41:3, pp. 475-492.

Van Paijs, P and Vanderborght, Y, (2015), 'Basic Income in a Globalized Economy', in R. Hazmath (ed.), I*nclusive Growth, Development and Welfare Policy*, London: Routledge, pp. 229-247.

Vetterlein, A. (2013), 'The role of the World Bank and IMF in poverty reduction', in R. Surender and R. Walker (eds), *Social Policy in a Developing World*, Cheltenham: Edward Elgar, pp. 37–57.

Wright, A. (1987), *R.H. Tawney*, Manchester: Manchester University Press.