

## Towards a Post-Neoliberal Social Policy? Social Investment versus Capability Approach

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### Abstract

*Despite remaining dominant, neo-liberalism increasingly lacks popular support. This offers the opportunity to develop progressive alternatives to neo-liberalism. In the academic debate on social policy, social investment has emerged as the normative paradigm for framing welfare reform after neo-liberalism. This paper assesses the validity of two claims: firstly, that social investment represents an alternative to neo-liberalism and secondly, that it involves a redefinition of social policy goals in line with Amartya Sen's capability approach. Linking these two claims, the paper argues that while social investment differs from welfare retrenchment at the level of policy instruments, its alleged break with neo-liberalism is less clear-cut – particularly at the epistemological and normative level. Similarly, while social investment may resonate with the capability approach at the level of policy proposals, they differ in terms of normative principles and epistemological assumptions. These differences, in turn, have important implications for the formulation and implementation of social policy.*

**Keywords:** Social investment, neo-liberalism, capability approach, economization, de-politicization

## Auf dem Weg zu einer Post-Neoliberalen Sozialpolitik? Sozialinvestition versus Capability-Ansatz

### Zusammenfassung

*Spätestens seit dem Anfang der Finanzkrise im Jahre 2008 verliert der Neoliberalismus an Legitimität – was die Möglichkeit eröffnet eine progressive Alternative zu entwickeln. In akademischen Debatten im Bereich der Sozialpolitik bietet die Sozialinvestition jetzt die normative Orientierung für die Entwicklung einer post-neoliberalen Sozialpolitik. Der Artikel stellt die Gültigkeit von folgenden zwei Argumenten in Frage: dass die Sozialinvestition eine Alternative zu Neoliberalismus darstellt und, dass sie auf einer Neuformulierung der sozialpolitischen Ziele basiert, die Amartya Sens Capability-Ansatz verfolgt. Während sich die Sozialinvestition vom Rückzug des Wohlfahrtsstaats auf der Ebene der Policy-Vorschläge unterscheidet, sind die normativen und epistemologischen Grundannahmen der Sozialinvestition zum Großteil die gleichen wie die vom Neoliberalismus und stehen im Gegensatz zum Capability Ansatz. Dies hat auch konkrete Folgen für die Formulierung und Implementierung von Sozialpolitik.*

**Schlagwörter:** Sozialinvestition, Neoliberalismus, Capability-Ansatz, Ökonomisierung, De-politisierung

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## 1. Introduction

The financial and economic crisis started in 2008 profoundly undermined the legitimacy of neo-liberalism. While neo-liberalism remains dominant, it increasingly faces popular resistance and discontent. In this context of hegemonic crisis, many academics and policy actors have been trying to develop progressive alternatives to neo-liberalism. In the field of social policy, one of the core ideas promising to contribute to post-neoliberalism is that of social investment, which arguably represents one of the most valuable normative frameworks for thinking about welfare reform at the moment (e.g. Morel et al. 2012a, 2012b; Hemerijck 2017a). Social investment policies pursue a variety of goals such as helping disadvantaged social groups to be successful in the labour market by improving their human capital; reducing gender inequality by implementing work/life balance policies; providing high-quality childcare services with a view to promoting equality of opportunity.

Crucially, in this perspective, social policy is seen as an investment because it improves not only social outcomes but also economic ones. For example, social policies improving individuals' health and education enhance the productivity of the workforce and can thus generate higher growth rates as well as more government revenues. Similarly, the provision of high-quality childcare services can be considered an investment – as opposed to a cost – not only because it improves children's future human capital but also because it allows women to enter and stay in the labour market, i.e. because it promotes employment. In social investment, particular emphasis is put on early interventions aimed at preventing social damage from occurring. From this viewpoint, investing in children's and young people's human capital reduces the chances that they will be unemployed in the future – which has positive consequences not only on their wellbeing but also in terms of significant savings for the public budget. Reframing social policy as an investment that delivers economic returns provides a powerful argument for advancing proposals of welfare state development and for opposing austerity.

Social investment is still an emerging and internally heterogeneous paradigm. It ranges from a Third Way approach (Giddens 1998), where social investment policies tend to substitute those that are more traditional (e.g. redistribution and social protection), to a 'social democratic' version where social investment seeks to complement these traditional forms (Morel et al. 2012c; Deeming/Smyth 2015). Social investment is above all an

academic discourse, which has now become the prevailing approach for framing social policy reform within academic debates (e.g. Morel et al. 2012a; Hemerijck 2017a; Hemerijck 2018) but it is also highly influential in policy discourse, especially among international organizations such as the OECD and the World Bank (Jenson 2010) and within the European Union (European Commission 2013).

Focusing on the academic discourse, this paper contributes to the normative evaluation of social investment, challenging the validity of two claims. The first is that social investment is a paradigm distinct from neo-liberalism (e.g. Jenson 2010, 2012; Morel et al. 2012b, 2012c; Hemerijck 2012, 2015, 2018). The second is that social investment involves a redefinition of social policy goals in line with Amartya Sen's capability approach (Morel et al. 2012b: 17; Hemerijck, 2013: 138-139; Hemerijck 2017b: 12; Hemerijck 2018) – a normative framework for the evaluation of wellbeing, which will be discussed later in this paper. In rejecting these two claims, the paper provides an internal critique of social investment. An internal (or immanent) critique involves assessing a certain normative framework against its own values and objectives rather than referring to external criteria, such as those chosen by the researcher. Hence, the main point of this paper is to evaluate social investment according to its own goals, namely overcoming neo-liberalism and following the capability approach.

Importantly, social investment theorists themselves admit that their perspective 'displays some continuity with the social thinking of neoliberalism' (Morel et al. 2012b: 10). In particular, as they remind us, a policy paradigm is defined not only by the 'policy instruments' used, but also by the 'values' and 'principles' pursued (Morel et al. 2012b: 11). In this paper I argue that while social investment clearly differs from *welfare retrenchment* in terms of policy instruments, its alleged break with *neo-liberalism* is less clear-cut – particularly at the level of normative principles and of the epistemology adopted. Similarly, while at the level of concrete policies social investment may resonate with the capability approach, the values and the epistemological assumptions that inform social investment differ from those at the core of the capability approach – a divergence, which, in turn, leads to formulating different policy proposals. In particular, I argue that the 'economization' of the social (e.g. Foucault 2008) implicit in social investment is both the main element of continuity with neo-liberalism as well as the main difference from the capability approach. Thus, the analysis focuses less on social investment policies

than on the epistemological and normative assumptions that underpin them.

The paper is organized as follows. The next section introduces the concept of neo-liberalism, differentiating it from that of welfare retrenchment. The third section presents the capability approach as an alternative to neo-liberalism. The fourth and fifth sections challenge the twofold claim that social investment breaks with neo-liberalism (fourth section) and follows the capability approach (fifth section). The conclusion recapitulates the main arguments and shows what is required if social investment wants to break with neo-liberalism and adopt the capability approach instead.

## 2. Neo-liberalism as economization

In the view that social investment represents an alternative to neo-liberalism, the latter is identified with a ‘negative state theory’ (Hemerijck 2013: 126–129) that assumes that state intervention hampers economic prosperity (Jenson 2012: 68) and considers social policy as a ‘wasteful cost’ to be minimized (Morel et al. 2012b: 2). In contrast to neo-liberalism – so the argument goes – social investment ‘acknowledges the importance of market failures’ and assigns the state a positive role, especially in ‘fostering the development of human capital’ (Morel et al. 2012b: 10). Since social policy in social investment should ‘support employment and economic growth’ (Morel et al. 2012b: 9), social expenditure is viewed as an investment, not a cost (Hemerijck 2012: 50). Thus, there is no trade-off between social and economic objectives: in contrast to ‘neoliberal doctrines’, the social investment perspective sees improved social equity go hand in hand with more economic efficiency’ (Hemerijck 2012: 46).

The problem is that this definition of neo-liberalism as the ideology of the minimal state appears excessively simplistic and caricatured. In particular, while social investment theorists recognize the link between neo-liberalism and neoclassical economics (Hemerijck 2013: 126–129), they fail to recognize its deeper consequences, assuming that economics implies a negative state theory. However, mainstream economics does acknowledge the relevance of market failures and hence the necessity of state intervention, and can even accommodate for an institutionalist view of the market (Lapavistas 2005; Fine/Milonakis 2009; Madra/Adaman 2014). Instead, the central point is that neo-liberalism involves the naturalization of economic thinking and universal application of market principles, extending economic reasoning to address non-economic issues: rather than

a science concerned with studying a specific object (i.e. the ‘economic domain’ or the ‘economic action’), within neo-liberalism economics becomes an *approach* and the market becomes a way of seeing the world (Zuidhof 2014: 176–177).

Crucially, this is not merely an academic exercise but implies a specific political rationality: becoming a ‘counsel of neoliberal government’, economics ‘invites government to think like economists’ (Zuidhof 2014: 178). This implies approaching social problems in economic terms, i.e. applying economic principles to the social and reconstructing noneconomic phenomena in market terms through processes of ‘economization’ and ‘economic imperialism’ (Foucault 2008; Bröckling et al., 2000; Fine 2001; Schimank/Volkmann 2008; Fine/Milonakis 2009). From this perspective, neo-liberalism is above all an ‘episteme’ (Madra/Adaman 2014: 692), i.e. an epistemic framework for policymaking, whereby all policies are assessed through an economic analysis assuming that ‘everything can in principle be treated as a commodity’ and that the market provides the basis by which all human action should be judged (Harvey 2005: 165).

Thus, while neo-liberalism often implies the expansion of the market and the creation of new markets, bringing into the market those things ‘previously decommodified or uncommodified’ (Clarke 2004: 35), this must not necessarily be the case. Through economization, neo-liberalism involves a broader and deeper project than marketization (Madra/Adaman 2014). Neo-liberalism *conceptualizes* the whole society as a market where individuals are workers and populations are an ‘investment object and an economic resource’ (Haahr 2004: 227). Its utopian vision of good society is an ‘economically wealthy and constantly innovative society’: a ‘machinery of performance’ (Haahr 2004: 227). Neo-liberalism thus adopts the normative principles informing mainstream welfare economics, especially the reference to utilitarianism and the emphasis on material prosperity, so that the maximization of economic growth takes priority over other values such as individual freedom and collective self-determination (i.e. democracy).

### 2.1 Two consequences of economization and their implications for the understanding of freedom

The first consequence of adopting the neo-liberal epistemology involves the promotion of a specific anthropology, that is, an idea of what it means to be human

and to build a personal identity or self-conception. In line with the *homo oeconomicus* informing mainstream economic theory, neo-liberalism promotes a particular subjectivity, whereby the individual is conceived as an atomistic utility-maximizing actor: a self-interested 'economic man' who has an 'economised identity', an 'entrepreneurial spirit' and who is an 'independent individual', 'detached from social relationships' (Clarke 2004: 31). This anthropology implies that citizens are governed through incentives that manipulate their behaviour, changing the costs or benefits that people face (Zuidhof 2014: 177).

The second consequence of economization concerns the vision of the state. In neo-liberalism the state is interpreted as an enterprise: an 'economic state' (Foucault, 2008: 86) that intervenes not for politically determined social goals but to maximize efficiency. From this perspective, the economization of the social implies its depoliticization (Madra/Adaman 2014), whereby policy decisions are subtracted from public debate and deliberation and conceived as matters of technocratic governance and calculation. This too is in line with a certain kind of welfare economics, whereby any competent authoritarian elite might implement the utilitarian calculations and social justice is reduced to a technocratic matter of efficient administration. Thus, neo-liberals are 'profoundly suspicious of democracy' and 'tend to favour governance by experts and elites' (Harvey 2005: 66). This mode of governance involves the depoliticization of 'crucial public issues through installing economic and managerial discourse as the dominant frameworks for decision making' (Clarke 2004: 34). Through the emphasis on 'international competitiveness', economics is placed 'in command', thereby 'denying the possibility of political choices' and subordinating "ambiguous" issues of values, orientations and other political choice-making criteria in favour of the rational, transparent and readily calculable 'bottom line' (Clarke 2004: 35). Hence, neo-liberalism is linked to the expansion of the economic argument in the public sphere, which involves not only increasing the percentage of economic topics in the political discourse but also reframing non-economic topics in economic terms (Ritzi 2014: 181). In this way, political choices are translated into economic issues to be solved technically through an ideology and discourse that presents itself as 'pragmatic' and 'rational', in opposition to democratic politics, which is depicted as either 'dogmatic' and 'ideological' or simply 'tossed in the winds of public opinion' (Clarke 2004: 37). As Amable (2011:

6) puts it, neo-liberalism involves an 'elitist critique of democracy', whereby the people are viewed as 'ignorant and capricious' in contrast to a 'competent' and 'enlightened' elite which should govern in a 'neo-Platonist' approach (Amable 2011: 17).

These two consequences of economization – the anthropology of *homo oeconomicus* and the economic state – have direct implications on the kind of freedom promoted within neo-liberalism. On the one hand, neo-liberalism requires individuals to exercise their freedom 'in appropriate ways' (Burchell 1993: 273). Thus, individuals are constrained to use their freedom for productive purposes: neo-liberalism 'specifies entrepreneurial conduct everywhere, it constrains the subject to act in a capital-enhancing fashion everywhere' (Brown 2016: 3). For this reason, the *homo oeconomicus* within neo-liberalism takes the form of human capital (Foucault 2008: 147), whereby the entire self becomes an enterprise unit. On the other hand, the economic understanding of freedom marginalizes its political dimension, thereby downplaying the importance of democracy. In this context, through the economization and depoliticization of the state, neo-liberalism reconfigures the relationship between state and citizens, whereby the latter are not primarily seen as subjects with political and social rights but as economic actors and investment objects.

## 2.2 Policy implications: 'pro-market' vs. 'post-market' neo-liberalism

The above discussion shows that neo-liberalism should not necessarily imply the minimal state or welfare retrenchment. Rather, through processes of economization, neo-liberalism entails an economic interpretation of the role of the state – with subsequent depoliticization and marginalization of democracy in favour of technocratic governance – as well as the anthropology of human capital. In terms of policy implications, this means that the state can also be highly interventionist. However, rather than realizing democratically established social goals, such intervention aims at potentiating the market and correcting market failures (Foucault 2008; Lapavistas 2005), which requires the mobilization of 'expert knowledge' (Madra/Adaman 2014: 701). In particular, policies should use incentives to alter individuals' behaviour with a view to maximizing economic outputs.

From this perspective, overcoming neo-liberalism cannot be about increasing the degree of state inter-

vention without questioning the epistemological and normative references of such intervention. In particular, Madra and Adaman (2014) distinguish between two positions within neo-liberalism: the ‘pro-market’ approaches and the ‘post-market’ approaches. While pro-market approaches oppose redistribution and all other corrective interventions of the state and promote privatization, liberalization and marketization, post-market approaches call for state interventions as long as they are ‘economically sound’ (Madra and Adaman 2014: 692). Post-market approaches refer to ‘post-Walrasian’ economics (Madra and Adaman 2014), i.e. that kind of neoclassical economics that recognizes the imperfect nature of markets (e.g. problems such as asymmetric information, externalities and actors’ bounded rationality).

Crucially, the very presence of two contrasting positions (pro-market and post-market) within neo-liberalism makes the latter so resilient, constraining the debate to the neo-liberal horizon (Madra/Adaman 2014: 703). In particular, after the financial crisis started in 2008, pro-market neo-liberalism was largely discredited and post-market interventionism appears to be the only viable alternative. The problem is that the post-market approach is an alternative to pro-market positions but *not* to neo-liberalism. Indeed, the post-market approach fails to problematize economization and thus to provide an alternative to the ‘epistemic horizon of the neoliberal ontological project’ (Madra/Adaman 2014: 711). Thus, neo-liberalism determines the terms of the debate so that state interventionism and redistribution are justified as an instrument of economic efficiency and stabilization rather than with reference to social rights (Madra/Adaman 2014: 710). From this perspective:

*Neoliberalism can no longer be treated as a particular (right-wing) ideological position within a broader political horizon; today, neoliberalism posits itself as a political horizon that can host within it a spectrum of ideological positions, a governmental reason that can accommodate a certain degree of political variation and an economic mainstream that can cultivate a range of epistemological and methodological diversity (Madra/Adaman 2014: 711).*

### 3. The capability approach as an alternative to neo-liberalism

The capability approach, originally developed by Amartya Sen (e.g. 1999) to evaluate human wellbeing, development and social justice, is often regarded as a

normative framework enabling the theorization of an alternative to neo-liberalism, especially because it rejects the normative assumptions of welfare economics that inform neo-liberalism (e.g. Fukuda-Parr 2003: 311). Indeed, Sen argues that to assess wellbeing, social justice and development it is better to focus on ‘capabilities’ than on the type of information generally used in welfare economics. Capabilities are notions of positive freedom, i.e. the real opportunities that people enjoy to lead the kind of lives they have reason to value (Sen 1999: 18). Thus, Sen presents the capability approach as an *alternative* to mainstream welfare economics, which is based on utilitarianism and the commodity approach (e.g. Sen 1979, 1987; see also Nussbaum 1997).

#### 3.1 Beyond utilitarianism and commodity fetishism

According to Sen, the main reason to reject utilitarianism is the importance of individual freedom. Indeed, within a utilitarian perspective, individual rights and freedoms may be ignored for the sake of pursuing the objective of maximizing aggregate utility in society (Sen 1970, 1979). Moreover, the vision of human beings implicit in utilitarianism and, by extension, in mainstream economic theory – that of *homo oeconomicus* – is also discarded (Sen 1977). Human beings may pursue other objectives beyond their utility-maximization: they are able to commit themselves to other people’s wellbeing and to goals they value even at the cost of their own wellbeing. The anthropological conception informing the capability approach is that of ‘human richness’ (Giovanola 2005), whereby – rather than mere atomistic entities – human beings are seen as relational beings and as social actors who can flourish in a plurality of ways, including through relationships with other people (Nussbaum 2000: 79–80). Furthermore, individuals are seen as actors with their own goals and values (Sen 1985), i.e. not only as economic actors (workers and/or consumers) but also as political beings: they are ‘citizens who matter and whose voices count’ rather than ‘well-fed, well-clothed and well-entertained vassals’ (Sen 1999: 288). Thus, the capability approach is concerned not only with people’s happiness and life satisfaction but also with their political agency.

Against a resource-based approach to human wellbeing, Sen (1987: 16) argues that it suffers from ‘commodity fetishism’, whereby material goods are treated as the ultimate objective rather than as the means. Instead, the assessment of wellbeing should directly



focus on what intrinsically matters since there is no automatic link between means (e.g. economic growth) and ends (social wellbeing). People's quality of life may be greater in poor countries in which human development is held as the highest political priority, rather than in rich countries with more narrow economic priorities. Sen's favourite example is the comparison between China and India. Despite growing faster economically than India, China experienced the worst famine in human history (thirty million people died between 1958 and 1961), whereas in the poorer but more democratic India, there has been no famine since its independence in 1947 (Sen 1999: 43). Hence, democracy plays a crucial role in both informing governments about the needs of the population and putting the necessary pressure on politicians to take appropriate action.

Establishing the priorities of development is thus a task for public reasoning and democratic deliberation (e.g. Sen 1999, 2009) – a dimension downplayed both in utilitarianism and in the commodity approach. Such democratic debate is especially needed in the presence of social dilemmas, which involve the choice between different and conflicting values. In these situations, the solution cannot be found through purely technical means. It is not a matter of mathematically seeking to maximize collective welfare since no such 'magic formula' exists: 'the issue of weighting is one of valuation and judgement, and not one of some impersonal technology' (Sen 1999: 79). This work of valuation requires democratic deliberation and 'cannot be replaced by some cunningly clever assumption. Some assumptions that give the appearance of working very nicely and smoothly operate through concealing the choice of values and weights in cultivated opaqueness' (Sen 1999: 110). Crucially, democratic discussion is not only 'pivotal in inducing social responses to economic needs' – as in the case of famines – they are also central 'to the conceptualization of economic needs themselves' (Sen 1999: 156). Thus, democracy also plays a constructive role, shaping people's values and priorities as well as their perception of social reality.

From this perspective, Sen's theory also implies a radical democratic approach to knowledge, rejecting a simplistic positivist approach to social reality. There is no single 'right' way to describe social reality but rather each description involves a *choice* (Sen, 1980) in the selection of the 'informational basis', whereby it is established which information is relevant and which is not (see also Borghi 2018). Hence, there is not one single objective truth about social reality but a plura-

lity of truths, which depend on individual viewpoints. This is not to be dismissed as a subjective and thus biased judgement: it is a 'positional objectivity' (Sen 1993a) – and a precious source of information for gaining a full account of social reality (Anderson 2003; Bonvin et al. 2018; Bonvin/Laruffa 2018).

### 3.2 An alternative to neo-liberalism and its implications for social policy

The capability approach can help with theorizing an alternative to neo-liberalism by means of two main contributions. First, it provides a different epistemology from that informing neo-liberalism. While neo-liberalism relies on experts, technocratic governance and the market to take collective decisions, the capability approach gives paramount importance to democracy. In particular, the capability approach is built on the belief that democracy is not only a good in itself but also an excellent means for promoting social justice because it allows marginalized social groups to influence political choices (Sen 2009; see also Crocker 2006; Bonvin et al. 2018; Bonvin/Laruffa 2018). Moreover, democracy is superior to technocratic governance and the market from an *epistemological* viewpoint, that is, as a means to take better (i.e. more informed and more just) collective decisions that take into account as many viewpoints as possible (Anderson 2003; Bonvin et al. 2018; Bonvin/Laruffa 2018). Crucially, within this democratic framework, the capability approach requires thinking in terms of ends rather than means: deliberation should be about how to promote human wellbeing, social justice and democracy rather than economic growth. Hence, the capability approach rejects the economization intrinsic to neo-liberalism. Indeed, economization always involves the inversion of means and ends (Schimank/Volkman 2008), whereas the capability approach requires 'another type of thinking' based on *final ends* (Richardson 2015: 170). In this perspective, economic progress is seen as a means for achieving development, defined as a 'good social change' (Crocker 1992: 585) and assessed on its consequences for human wellbeing and social justice. Thus, the capability approach provides the normative foundations for new economic thinking, not based on utilitarianism or on the commodity approach (concerned with economic growth) but focused on human development and democracy.

Second, the understanding of freedom at the core of the capability approach differs substanti-

ally from that implicitly informing neo-liberalism. Neo-liberalism interprets freedom essentially as an economic and individual matter, marginalizing non-economic uses of individual freedom and neglecting political freedom (i.e. democracy). Thus, the state can intervene in society – but only to promote economic forces; it can expand individuals’ freedom – but only as long as they make economically productive use of their freedom, e.g. through participation in the labour market. The capability approach, in contrast, emphasizes the importance of political freedom and democracy. Moreover, it allows individuals to make non-economic use of their freedom. Indeed, capability involves the ‘substantive freedom [...] to achieve various lifestyles’ (Sen 1999: 75) and to choose among a variety of valuable ‘beings and doings’ or ‘possible livings’ (Sen 1992: 40). Even broader than the concept of capability – which according to Sen remains linked to the dimension of wellbeing – the notion of agency refers to ‘what the person is free to do and achieve in pursuit of whatever goals or values he or she regards as important’ (Sen 1985: 203), i.e. ‘what a person can do in line with his or her conception of the good’ (Sen 1985: 206).

What, then, are the implications of the capability approach for social policy? First of all, it seems that from a capability approach perspective, social policy should be assessed in terms not of its economic advantages or disadvantages – evaluated on the basis of abstract aggregated indicators such as the employment rate – but of its consequences on individuals’ quality of life (Salais et al. 2011: 16), i.e. their real freedom to lead a valuable life. Second, given the central importance accorded to democracy in the capability approach, social policy should also contribute to the establishment of the social preconditions needed for a well-functioning democracy – particularly by promoting socioeconomic equality (Anderson 1999; Olson 2006). Third, welfare reform itself should not be treated as an exclusive topic for ‘experts’, but instead as a political question subject to democratic deliberation, leaving room for people’s ‘capability for voice’ (Bonvin/Farvaque 2006; Bonvin 2012; de Leonardis et al. 2012). From this perspective, a capacitating welfare state is similar to what Fitzpatrick (2002: 167) calls ‘deliberative welfare’, which implies the ‘institutionalization of discourse about well-being and the good life’ as well as the removal of those socioeconomic inequalities that impede equal participation in this deliberative process.

#### 4. Social investment and neo-liberalism: continuity beyond change?

Social investment is an approach to welfare reform clearly distinct from austerity and welfare retrenchment. Hence, it can advance social justice, supporting claims for greater income redistribution, increased generosity of welfare benefits, gender equality in the labour market, improved work-life balance policies, equality of opportunity and greater investment in education. Thus, social investment is surely welcome in a policy world often dominated by austerity measures. But is that enough to overcome neo-liberalism? Despite many positive proposals concerning the extension and improvement of welfare states, it seems that social investment follows neo-liberalism in the process of economization (Laruffa 2018).

Indeed, the economic rationale informing social investment is arguably at the root of many normative tensions identified by the critics of this approach. Thus, for Nolan (2013) it is problematic that in social investment the economic impact potentially becomes the criterion for social policy choices, replacing value-based considerations. This in turn has concrete implications in terms of the kind of policies promoted by this approach. For example, the logic of investment may result in policies that increase inequalities, further marginalizing vulnerable groups (Cantillon/Van Lancker 2013). Indeed, the economic rationale suggests investing in those groups that deliver high returns (e.g. providing highly skilled women with childcare services so that they can engage in full-time employment) but highly vulnerable groups are not necessarily attractive ‘investment objects’: they often require massive investments, which deliver only poor economic returns. Similarly, feminists and gender theorists have argued that the main goal of work-life balance policies in social investment is to promote women’s labour market participation, which is motivated by economic arguments rather than by a concern for gender equality or women’s wellbeing (Saraceno 2015). Indeed, social investment tends to value care work only to the extent that it is taken outside the family where it can generate income, thereby failing to value care as intrinsically important. Family policy thus becomes employment policy: the family is treated as an obstacle to labour market participation whereas the right to care – the right to have time to spend with one’s own family – is largely absent from the social investment agenda (Saraceno 2015).

More generally, and following the perspective developed in this paper, social investment involves the economization of the social because it adopts the economic interpretation of the state and the anthropology of human capital.

#### 4.1 The economization of the state: market-oriented intervention and depoliticization

Concerning the role of the state, social investment posits that ‘it is acceptable for the state to have a significant role, but only when it is behaving like a good business would, seeking to increase [...] future returns’ (Jenson 2012: 66). Thus, social investment opposes welfare retrenchment and the negative theory of the state. However, the positive theory of the state that social investment supports shares with neo-liberalism an *economic* understanding of the role of the state: social policy is justifiable only to the extent that it is economically advantageous.

Crucially, regarding social policy as an economic investment rather than an economic cost is an important change at the level of ‘policy instrument’. It does not, however, involve any change in ‘values’ or ‘principles’. Indeed, both retrenchment and social investment assess social policy in terms of its economic benefits or losses: they are simply two different answers to the same efficiency question. They are both based on the same neo-liberal ideology, where the principal aim of public policy is that of maximizing economic outputs. Stated bluntly: either social policy becomes productive – the idea of social investment – or it must disappear – the idea of retrenchment. At a deeper level, the function of the state is the same because both ideologies derive from welfare economics, where:

*the state and the market fulfil the same function of generic want-satisfaction and are evaluated by the same criteria of efficiency. The state fills in where the market fails to secure efficient outcomes [...]. This conception supposes that the state and the market are merely alternative means for securing the same sorts of outcomes and realizing the same sorts of goods according to the same (market) norms. Which institution we should use to govern outcomes concerning certain goods is strictly a question of efficiency (Anderson 1993: 212).*

From this perspective, there is no qualitative difference between the state and the market and both are assessed using the same market criteria of efficiency. State intervention is legitimate only to the extent that it promotes economic efficiency, e.g. in case of market

failures, whereas interventions to achieve other democratically established social goals appear illegitimate. Hence, social investment rejects the minimal state for its inefficiencies, rather than on the basis of democratic concerns. In this way, however, social investment fails to recognize the main reason that undermines the legitimacy of neo-liberalism, namely the emergence of ‘post-democracy’ (Crouch 2004), i.e. a formal democracy where powerful economic elites are able to shape the political agenda in their own interest. Indeed, even within so-called ‘anti-austerity social movements’ the core reason for the protests was less austerity *per se* than the lack of real democracy: rather than welfare cuts, the main reason of frustration was about the failures of democracy as currently practised (Kaldor and Selchow 2013).

Yet instead of referring to this political rationale, social investment treats austerity as a technical problem, proposing an alternative – and possibly more efficient – technical solution. Interestingly, democracy is not listed among the ‘principles’ and ‘values’ promoted by social investment (Morel et al. 2012b: 12). However, the irrelevance of democracy can also be seen in the high degree of depoliticization that pervades the social investment agenda at three levels.

First, reforms proposals are not framed with reference to ethical principles but – following the ‘Third Way Theory’ – to ‘the truth of certain social facts’ (Finlayson 1999: 271).<sup>1</sup> Hence, reforms in social investment are motivated by scientific evidence and directly derived from socioeconomic transformations such as globalization, ageing populations, the emergence of the ‘knowledge-based economy’ and the feminization of the labour force. In this context, social scientists act as ‘experts’, thereby interpreting welfare reform as a technical problem of finding the right solutions: the discourse is ‘diagnostic and prescriptive, giving recommendations for good health’ (Finlayson 1999: 275). Hence, the normative basis of welfare reform is ‘derived from a description of present society’ and the sociological analysis becomes a ‘normative claim’ (Finlayson 1999: 274). In particular, capitalism becomes the ‘object of sociological and economic analysis rather than ethical critique’: ‘the critique of capitalism

<sup>1</sup> In this respect, the ‘social democratic’ and the ‘Third Way’ versions of social investment coincide: they both share the assumption that welfare states need to be ‘modernized’ in order to answer to contemporary socioeconomic challenges.



as such turned into a critique of the particular capitalism of Thatcherite neo-liberalism. It ceased being a political claim and became a *managerial* one about how to run things better' (Finlayson 1999: 274). The result is a 'tendency to accept economic developments as non-political, even natural, phenomena, and the role of governments as shaping us all up for the new world' (Finlayson 1999: 278).

The second depoliticizing element lies in social investment's attempt 'to reconcile social and economic goals' (Vanderbroucke et al. 2011: 5). In this context, policies are presented as being capable of generating win-win situations that 'nobody can seriously question' (Hansen/Triantafyllou 2011: 197) instead of accepting a 'dialectic understanding' of economic and social concerns which would enable 'political debate and resistance' (Hansen/Triantafyllou 2011: 207). In other words, depoliticization occurs through the formulation of policies that, appearing to be in the interests of all, avoid conflict and debate. This contrasts with the 'intensity and explicitness of conflicts between different actors that went along with the development of the welfare state' (Busso 2017: 424) and is in line with the neo-liberal understanding of politics, which is characterized by an emphasis on consensus over pluralism and conflict (Brown 2016: 4). However, avoiding conflict means excluding some proposals from the political agenda: for example, a substantial redistribution of income and wealth cannot be included in the 'social' agenda since such a proposal would inevitably be resisted by the economic elites. Thus, it seems that in this depoliticized reconciliation, 'social' goals should be formulated so that they are compatible with powerful economic interests, i.e. in the event of conflict between economic and social goals, the former should take priority over the latter.

Third, and linked to this last point, the reconciliation between economic and social goals actually occurs through economization. On the one hand, instead of 'socializing' the economy, the solution is seen in the economization of the social, i.e. social policy is reframed as an economic investment – and should be reformed accordingly – whereas the economy remains out of political control, denying the possibility to reform it according to democratically defined social needs (Laruffa 2018). On the other hand, economization involves increasing the importance of economic arguments in public discourse by reframing non-economic issues in economic terms. In this way, social investment contributes to the 'post-democratization

of the public sphere' that characterizes neo-liberalism (Ritzi 2014), i.e. the deteriorating quality of the democratic debate caused by its narrow focus on economic issues.

Thus, depoliticization, economization and de-democratization are strongly linked. As Busso (2017: 431–434) argues, the reference to ethical principles and values that characterized early efforts to promote social rights is replaced in social investment by an economic-instrumental rationality and a 'post-ideological approach' that emphasize 'efficiency', 'effectiveness', 'evidence-based policies', the 'quantification' of policy outcomes and their assessment in light of a 'cost-benefit calculation'. This, in turn, strengthens 'the bond that joins knowledge and politics', empowering 'non-political and expert authorities' (Busso 2017: 434), that is, favouring a technocratic mode of governance over a democratic one.

#### 4.2 Anthropological conception and definition of wellbeing

Social investment seems to share with neo-liberalism not only the economic and depoliticized interpretation of the state but also the anthropology of human capital. Indeed, for Hemerijck (2013: 142), social investment 'is essentially an encompassing human capital strategy'. The notion of human capital involves an economic interpretation of social reality and promotes a functional view of people, who are seen as resources to be exploited for economic purposes. This tendency can be seen for example in the discourse on 'investing in children', whereby children are treated as 'tomorrow's taxpayers' and as 'future productive workers' (Hemerijck 2017b: 9). Similarly, social investment tends to assess poverty, social exclusion and unequal opportunities mostly in terms of their negative consequences for the economy, reinterpreting these social issues as a 'waste of valuable human capital and economic growth' (Hemerijck 2017b: 9).

The emphasis on human capital also reveals that social investment is potentially an individualistic approach, concerned with investing in individuals' capacities rather than with reforming social structures. As Hemerijck himself notes: 'social investment shares with the neoliberal approach a strong focus on the supply-side' (Hemerijck 2012: 51). Moreover, the anthropological conception implicit in social investment seems also to at least partly follow the theory of *homo oeconomicus*, whereby human beings are seen as rati-

onal self-interested economic actors. This anthropological understanding informs the theory of incentives that influences social investment policies and that sees human beings as utility-maximizing entities who face a trade-off between work and leisure – with work as a source of disutility rather than as a human need for developing a personal identity. In this context, work incentives are undermined by ‘generous social security benefits of long duration’ (e.g. Hemerijck 2017b: 25). Hence, in line with neo-liberalism, social investment policies should govern through incentives with a view to maximizing collective welfare and economic growth.

The anthropology of human capital in social investment can also be detected in the goal of maximizing the employment rate (e.g. Hemerijck 2013: 143), which takes priority over people’s freedom to engage in other activities beyond employment. Indeed, it is the focus on promoting employment that allows social policy to be reframed as an *economic* investment (Laruffa 2018: 699). From this viewpoint, while it is presented as non-ideological and de-politicized agenda, social investment seems to uphold the neo-liberal definition of wellbeing – identified with material prosperity – whereby people should work more, produce more and consume more (Hansen/Triantafillou 2011: 207). Crucially, the priority accorded to employment implicitly devaluates care work (Saraceno 2015) as well as all those social activities linked to active citizenship. To be sure, social investment policies should allow people to combine different activities through work-life balance policies. Yet the priority accorded to employment implies that the first and most important responsibility of the ‘good citizen’ is that of being a worker for the economy, who is engaged – possibly full-time – in the labour market. In this context, care work and citizenship activities are praised only if performed alongside employment but not as legitimate alternatives to it (Lister 2002: 524).

To sum up, social investment constitutes an alternative to welfare retrenchment but *not* to neo-liberalism; it rejects ‘pro-market’ neo-liberalism but espouses ‘post-market’ neo-liberalism, accepting the ‘epistemic horizon of the neoliberal ontological project’ (Madra and Adaman 2014: 711). Indeed, at the level of values, normative principles and epistemological assumptions social investment potentially presents important elements of continuity with neo-liberalism (Laruffa 2018; Leibetseder 2018a, 2018b). These are well summarized in considerations such as the following:

*Although services for the elderly do not represent direct social investments because they do not directly contribute to the competitiveness of the workforce, they do play a crucial role in the labour market. If women are supposed to participate full time in the labour market, they are less able to care for the elderly. Thus, social services for frail elderly are necessary to help raise female employment (Hemerijck 2013: 266–267).*

This sentence suggests that the *defining* characteristic of social investment policies lies in their contribution to economic competitiveness; that social investment involves a technocratic approach to welfare reform aimed at including people in the labour market; and that this (utilitarian) goal of maximizing the employment rate for the sake of collective wealth and economic growth takes priority over individuals’ freedom (e.g. to choose whether and how much to engage in paid work as well as whether and how much to care for the elderly) while entailing a devaluation of care work and human relationships.

### 5. Social investment and the capability approach: false friends?

The previous section showed that the argument that social investment represents an alternative to neo-liberalism should not be accepted without reservation. While social investment is clearly different from welfare retrenchment and the ‘pro-market’ variant of neo-liberalism, it nevertheless shares with them important normative and epistemological assumptions. Hence, social investment should be interpreted as a social version of neo-liberalism (Laruffa 2018) – and thus as a ‘post-market’ variant of neo-liberalism. However, in the view of its supporters, social investment not only breaks with neo-liberalism but also aims to promote a ‘capacitating social justice’ (Hemerijck 2017b: 12). Social investment, it is claimed by its advocates, is based on the capability approach because it shifts the focus of social policy ‘away from *freedom from want* towards *freedom to act*’ (Hemerijck 2017b: 12, emphasis in the original). Yet it seems that social investment – as theorized until now – represents a somewhat superficial reading of Sen’s capability approach, especially because it seems to confuse capability with employability and human capital. For example, Hemerijck (2017b) uses the terms ‘human capital’ and ‘capabilities’ interchangeably as if they were synonymous, despite the crucial differences between the two.

### 5.1 Capability versus employability<sup>2</sup>

The essential difference between capability and employability lies in the fact that the capability approach rejects the instrumentalism implicit in the human capital perspective: rather than mere economic resources, human beings are seen as ends in themselves. As Sen (1999: 296) puts it: ‘human beings are not merely means of production, but also the end of the exercise’. In many cases this divergence in justification is irrelevant. Thus, investing in education can be justified both economically and with reference to the capability approach. Similarly, preventive health policies and early interventions are welcome not only from an economic viewpoint (because they allow public money to be saved), but also from a human wellbeing perspective (because they avoid human suffering). Nonetheless, the framing of the debate and the rationale used to legitimize social policy become especially relevant when economic objectives and the goal of expanding individuals’ capabilities *oppose* each other instead of going hand in hand. In these cases, the normative justification becomes central, also influencing the content of social policies. For example, the kind of education supported by social investment theorists may substantially differ from that of interest to capability theorists. Indeed, within social investment education is mainly about providing people with work-relevant skills, neglecting its contribution to forming democratic citizens (Lister 2003). In contrast, capability theorists also emphasize the non-economic value of education (Robeyns 2006) and especially the role of arts and humanities in helping people to become autonomous and empathetic beings, that is, good democratic citizens (Nussbaum 2010). More generally, it is possible to identify at least three dimensions in which the idea of capability differs from that of human capital – apart from the fact that capability is of intrinsic value whereas employability is only of instrumental value.

Firstly, capabilities – referring to a person’s freedom to lead a valuable life – are *not* individual skills or characteristics. Instead, they always emerge from the interaction between individual and collective factors. For example, a person may be skilled and employable; however, if there are no jobs available, this person is

still poor in terms of capabilities. Thus, ‘employability without employment does not make sense in a capabilities perspective’ (Orton 2011: 357). In order to enhance human capabilities, public action should also focus on ameliorating the socioeconomic environment, rather than solely on improving individuals’ capacity to adapt to the environment.

Secondly, the concept of capability is not necessarily related to the labour market. On the one hand, in the capability approach the value of paid employment is not assumed a priori: there is no automatic link between inclusion in the labour market and the expansion of capabilities (e.g. Koggel 2003), and being in employment is not considered as an end in itself but it is good only to the extent that it contributes to human flourishing (e.g. Orton 2011; Bonvin 2012). On the other hand, the fact that capability refers to people’s freedom to lead a valuable life implies a broader focus than a concept explicitly linked to employment, like that of employability. Thus, capability includes the freedom to engage in care work, which is considered a valuable activity (e.g. Anderson 2003; Lewis/Giullari 2005; Hobson 2013), as well as the freedom to engage in other valuable activities beyond work, including political participation and community involvement, play and leisure (Nussbaum 2000: 79–80). In particular, since the capability approach involves a political understanding of freedom, people are not primarily seen as workers for the economy but above all as democratic citizens.

Thirdly, while capability is a notion close to that of autonomy, employability involves a certain degree of *heteronomy* since the individual is required to respond to externally imposed criteria of skills and attributes valued by employers rather than to those that are self-chosen (Laruffa 2016: 32). Indeed, employability is essentially about satisfying employers’ demands for workers’ ‘flexibility’, ‘versatility’ and ‘adaptability to company needs’ (Zimmermann 2011: 119).

### 5.2 Diverging justifications and their implications for agency

Taking into account these differences at the level of normative justification, policies informed by the human capital perspective will not support people’s agency in the same way as capability-oriented policies. In particular, social investment seems to follow neo-liberalism in interpreting freedom primarily as an economic and individual matter. In contrast to

<sup>2</sup> In the following, I use the terms ‘employability’ and ‘human capital’ interchangeably to indicate the set of skills and attitudes that make individuals attractive in the eyes of employers (work-relevant, marketable skills).

welfare retrenchment – where people’s agency remains unsupported – social investment policies provide some support to people’s agency, e.g. by investing in their human capital. Yet individuals are constrained in the use they make of this positive freedom. Ultimately, they should use it to become successful economic actors, actively participating in the economy. Here the tension between individuals’ real freedom (capability) and the utilitarian objective of maximizing society’s wealth is revealed. For the sake of such maximization, social investment policies reduce the scope of individual capability. Indeed, when only paid work is valued, all other areas of life are transformed from potential *sources* of human flourishing into *obstacles* to total engagement in paid work. In particular, social investment aims at improving people’s economic well-being as market actors but not their political agency as citizens. Furthermore, individuals’ economic agency is only partially supported: in order to expand it, public action mainly intervenes in individuals’ characteristics through supply-side policies (e.g. improving people’s skills), letting the socioeconomic context largely be shaped by the market. Hence, the conception of freedom implicit in social investment could be referred to as ‘partially supported economic agency’.

From this perspective, while social investment is better than welfare retrenchment in promoting social justice because people’s agency is at least partially supported, both social investment and retrenchment neglect the political and collective dimensions of freedom, conforming instead to the economic and individualistic understanding of freedom that characterizes neo-liberalism. In this context, the state can intervene at best to enhance individuals’ capacities to be included in the economy, but the latter remains out of democratic reach and is thus depoliticized (Laruffa 2018) so that the agency supported by social investment is that of being ‘prepared’ for a competitive social world.

This echoes the ‘Darwinian view of progress’ that Sen (1993b) criticizes for overlooking the quality of life of the individuals involved in the competition process. However, rather than aiming at adapting individuals, making them fit for the competitive environment, it should be possible to adjust the environment in order to improve people’s quality of life. Thus, the capability approach requires that public policies act upon both individuals’ characteristics (e.g. by improving their education) and the socioeconomic environment with the aim of expanding people’s real freedom to lead a valuable life. This reform of the socioeconomic envi-

ronment, however, requires people’s political agency to be enhanced so that, as democratic citizens, individuals are both the beneficiaries as well as the co-authors of this freedom-enhancing public action.

Thus, in contrast to both retrenchment and social investment, the capability approach involves a broad understanding of positive freedom – ‘what the person is free to do and achieve in pursuit of whatever goals or values he or she regards as important’ (Sen 1985: 303) – and especially one that includes people’s *political* agency (rather than their economic agency alone). From this viewpoint, capability-enhancing social policy aims at establishing ‘democratic citizenship’ rather than at including people in the economy (Jayal 2009), promoting people’s agency not only to participate within given social practices but also to co-govern and reform existing social practices as well as to create new ones (Claassen 2017: 1290–1294). The type of freedom promoted by the capability approach to social policy can be referred to as ‘supported broad agency’.

Once applied to the issue of the labour market – so central to social investment – this conception of agency implies not only the freedom to work, as well as the freedom to engage in other activities beyond work, but also the freedom to reform the workplace and labour market institutions along more democratic and capability-enhancing lines, such as through workplace democracy (e.g. Yeoman 2014).

## 6. Conclusion

The relevance of social investment is indisputable. In the reality of policy discussions, often dominated by notions of austerity, it represents a valuable alternative. It provides a powerful argument for expanding and improving social policy, thereby advancing social justice and restoring the legitimacy of the welfare state. Yet stressing the economic benefits of social policy is not enough to cleanly overcome neo-liberalism. At the epistemological level, social investment seems to remain committed to neo-liberalism. Indeed, in this discourse, the economic benefits of social policy risk becoming its predominant justification and source of legitimacy, thereby reducing social policy to ‘a precondition for economic growth’ (Morel et al. 2012b: 11).

In this article I have argued that the epistemology based on welfare economics that informs social investment represents at once both the main element of continuity with neo-liberalism as well as its primary difference from the capability approach – a framework

only timidly embraced by social investment theorists so far. Thus, scholars claiming that social investment represents a paradigmatic change away from neo-liberalism and towards the capability approach are possibly mistaken in their definitions. They view neo-liberalism as the ideology of the minimal state and moreover appear to confuse the notion of capability with that of employability and/or human capital. In contrast, my analysis is in line with that of capability theorists such as Fukuda-Parr (2003) who differentiate the human development paradigm from neo-liberalism, not with reference to the degree of state intervention, but pointing to the different underlying ideologies and moral philosophies that inspire them, i.e. the normative and epistemological orientation that informs public action.

Hence, the ‘paradigm revolution’ (Hemerijck 2015) in social policy is not yet complete, especially because social investment is still looking for a ‘new economic model’ (Morel et al. 2012c). This may lead one to suspect that, since no new economic model has been proposed, social investment remains committed to that of neo-liberalism (Laruffa 2018). In this context, social investment stresses the positive contribution of social policy to economic growth, assuming that the

latter will lead quasi-automatically to social welfare and quality of life. However, one of the central aspects of the capability approach is precisely to question this mechanical relationship between economic growth and wellbeing: in order to expand capabilities, policies need to focus directly on human development *rather than* economic growth. In other words, in order to embrace the capability approach instead of neo-liberalism it is insufficient to reform social policy according to the needs of the economy (e.g. Hemerijck 2017b: 4). Rather, both social policy *and the economy* should be reformed towards the goal of human development instead of economic growth. Hence, while social investment tends to depoliticize the economy and its contemporary conditions, framing international competitiveness, the knowledge economy and precarious working conditions as inevitable transformations and as ‘challenges’ that require adaptive responses (Laruffa 2018), the capability approach allows the re-politicization of the economy, reforming it in a way that promotes human development.

Table 1 summarizes the main differences between the neo-liberal and the capability approaches to welfare reform.

Table 1: Neo-liberalism, capability approach and their implications for social policy reforms.

	<b>Neo-liberalism</b>		<b>Capability Approach</b>
<b>Definition of Wellbeing</b>	Utility; material richness		Capability (freedom to lead the kind of life one has reason to value)
<b>Anthropology</b>	Human capital (human beings as economic resources); <i>homo oeconomicus</i> (human beings as self-interested economic actors)		Human richness (human beings as interdependent social and political actors)
<b>Final Ends of Public Action</b>	Economic growth; competitiveness		Human development
<b>Evaluative Criteria</b>	Aggregate indicators (e.g. GDP, employment rate)		Quality of life of concrete individuals (output); fairness of institutions and democratic legitimacy (process)
<b>Role of the State and Mode of Governance</b>	Economic role. Public policy is formulated by technocrats and experts		Political role. Public policy is formulated through democratic deliberation and aims at providing the conditions for individual flourishing
	Negative economic role	Positive economic role	
<b>Understanding of Freedom (kind of agency promoted)</b>	Negative freedom (unsupported agency)	Constrained and limited positive freedom (partially supported economic agency)	Positive broad freedom (supported broad agency)
<b>Interpretation of Social Policy</b>	Economic cost	Economic investment	Sociopolitical conception: providing the social preconditions for individual flourishing and for democratic citizenship (political equality)
<b>Implications for Social Policy Reform</b>	Retrenchment	Social investment	Capability-oriented social policy (open to democratic deliberation): ‘deliberative welfare’



As Table 1 shows, social investment – while different from welfare retrenchment – largely shares its neo-liberal normative and epistemological assumptions (e.g. concerning the human capital anthropology, the economic interpretation of the state, the understanding of wellbeing, etc.).

Hence, social investment – as theorized until now – is *not* a paradigmatic change with respect to neo-liberalism and *does not* embrace the capability approach. The point is not merely to choose a ‘social democratic’ over a Third Way version of social investment (Morel et al. 2012c: 360; Hemerijck 2013: 137; Deeming/Smyth 2015) – although this remains of crucial importance. Breaking with neo-liberalism is not only a matter of improving welfare generosity, but also of challenging an economistic worldview that marginalizes other possible justifications for social policy beyond its economic benefits, such as quality of life, democracy and social justice. Since many of the scholars who contributed to the development of social investment are willing to construct a coherent paradigm clearly differentiated from neo-liberalism (e.g. Morel et al. 2012c: 360), this paper suggests that the capability approach could help achieve this objective by providing a solid normative framework for public action.

Crucially, some authors, aware of the risks of an economistic discourse, are turning precisely to the capability approach in order to reinforce the normative foundations of social investment (Morel/Palme 2017). Yet a deeper involvement with the capability approach would shift the focus of social investment away from economic variables, such as the employment rate, competitiveness and economic growth, focusing instead on human development goals. This would require a deeper discussion of the very notion of ‘investment’. Ultimately, there are at least two different ways of thinking about investment. The first is in terms of the economic return it will generate and therefore making this the criterion for choosing where to invest. The second implies publicly discussing *where* and *why* society should invest – the purpose of investment. Currently, social investment largely adheres to the first way of thinking about investment: investment choices are automatically determined by an economic analysis so that the market and ‘experts’ define what constitutes productive and unproductive social policy. In this context, welfare reform is framed as an inevitable or necessary adaptation to a changing world – a matter of ‘modernization’ (e.g. Morel et al. 2012b: 9). In contrast, a capability-oriented social investment approach would

favour the second method. It would follow a political – rather than economic – interpretation of investment that requires a public debate to determine the most worthwhile areas of investment. The shift from the economic to the political rationale, which would allow a break with the epistemological and normative framework of neo-liberalism, involves two aspects.

On the one hand, it requires a public debate in terms of *final ends* and value-based considerations on the purposes of investment, which would also enable people to reform the economic system according to these values. Thus, while neo-liberalism entails economization processes, which always involve the inversion of means and ends, the capability approach calls for thinking in terms of ends – which should also lead to the re-democratization of the public sphere that in neo-liberalism is dominated by economic arguments. Moreover, while social investment stresses the positive contribution of social policy to economic growth thus promoting its economization, the capability perspective would rather allow argumentation for a ‘socialization’ of the economy, i.e. the reform of the economic system according to democratically established societal needs. In other words, rather than assessing social policy in terms of its economic benefits, the capability approach suggests evaluating the economic system in terms of its social benefits (its capacity to realize social priorities).

On the other hand, this debate in terms of final ends should *not* involve only ‘experts’. The capability approach calls for the technocratic approach to government to be abandoned and requires the debate on welfare reform to be opened to make it truly democratic. This necessarily requires wide political participation to define social priorities and the policies that should address them. In this context, even academics do not primarily play the role of ‘experts’ but rather that of facilitators of deliberative democracy, promoting the voice of those who are excluded from public discussion, especially the most socially and economically disadvantaged (Bonvin 2014: 240; Borghi 2018).<sup>3</sup>

Clearly such democratic deliberation on final ends may open the way for conflict between incompatible understandings of social justice and quality of life. Yet

3 Significantly, in the EU-funded RE-InVEST project, which aims at rethinking social investment from a capability perspective, the voice of vulnerable people is taken seriously and brought into the public sphere with a view to influencing policy choices. In this context, academics play precisely this role of facilitators of democracy rather than that of experts (see Leßmann/Buchner 2017 for the Austrian case).

conflicting views on the ‘good society’ should not be feared since diverging positions are a necessary precondition for democratic debate. In reality, the rigid consensus surrounding the economic interpretation of our world is much more dangerous for democracy. Its near totalitarian dominance precludes the possibility of alternate interpretations of how social policy should be theorized and implemented.

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