

# Preface

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On 10 September 2010, the United Kingdom's Conservative minister of justice, Crispin Blunt, visited HM Peterborough Prison to announce the launch of a new antirecidivism program initiated by the previous Labour government (Sinclair et al. 2014). This program was promoted as the first Social Impact Bond (SIB) project, a new mechanism to deliver prevention-focused social programs based on private sector financing and government repayment, but only in the case of successful outcomes. The Tory minister noted in a press release that, although the government's "priorities are to punish offenders, protect the public and provide access to justice," his government aimed "to initiate a more constructive approach to rehabilitation and sentencing, and re-think whether putting more and more people into custody really does make people safer" (United Kingdom 2010). The press release went on to note that, "at a time of tight public finances, payment by results models, such as the Social Impact Bond, can tap into new sources of funding to reduce reoffending and provide value for money for the tax payer." By generating a new financial instrument to draw on potential future savings of prevention-focused programs and converting these savings into working capital and financial profit for investors, a financial innovation was created seemingly well suited to a context of austerity, high inequality, and growing social service pressures.

At the same time, across the Atlantic, the Financial Crisis Inquiry Commission was wrapping up public hearings as part of its mandate to "examine the causes of the current financial and economic crisis in the United States" (2011, xi), which by that point clearly had grown into a full-blown global downturn of the scale not seen since the Great Depression. The key punctuating events of the financial crisis had taken place twenty-four months earlier, with the US government taking over

government-sponsored mortgage lenders Fannie Mae and Freddie Mac on 7 September 2008, followed within a week by the buyout of Merrill Lynch, the bankruptcy of Lehman Brothers, and the government bailout of AIG, all leading corporations in the global financial industry.

The commission's final report, while identifying multiple sources of systematic failure, placed significant emphasis on the emergence of complex financial instruments and the "dramatic failures of corporate governance and risk management" (Financial Crisis Inquiry Commission 2011, xviii) within leading financial corporations at the highest level. Goldman Sachs, one of several named, and a subsequent investor and promoter of SIBs in the United States and elsewhere, had "been criticized – and sued – for selling its subprime mortgage securities to clients while simultaneously betting against those securities," a practice parallel to "buying fire insurance on someone else's house and then committing arson" (236). The report tied these unethical practices of financial industry players and the systematic influence purchased through lobbying and campaign contributions to the methodical undermining of the safeguards put in place after the Great Depression and subsequent efforts designed to restrict the very practices that led to the crisis.

The eventual impact of this crisis, founded on financialization, was intense and widespread, as highlighted in the Financial Crisis Inquiry Commission's report.<sup>1</sup> During the year and half following the October 2008 crisis, US unemployment and underemployment rates more than doubled (Financial Crisis Inquiry Commission 340, 348, 390), and home prices dropped by 30 per cent (475), with owners having to sell their homes at a loss under conditions of extreme hardship, desperation, and adversity. Nearly 40 per cent of households surveyed were without work, had underwater mortgages – mortgages in excess of the market value of their homes – or were behind in their mortgage obligations in this period (Hurd and Rohwedder 2010). These results led to widespread pessimism, illustrated poignantly by the additional 4,750 suicides between 2007 and 2012 attributed to the recession (Stuckler and Basu 2013). Given this context, governments' counterintuitive resort to SIBs, a financialized solution, to address growing social service demands is an irony that has motivated this study.

Despite the acuteness of the events of 2008–9, the crisis was only the most dramatic expression of a growing precariousness amongst the less fortunate majority, who, in the United States for example, had seen stagnant or declining real wage growth going back decades as

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1 See also Freeman (2010) and Kotz (2017b) for summaries.

inequality had continued to increase since the 1970s. Over this period a shift in welfare state administration has taken place in Western advanced economies, with an accelerated movement towards contracting out in a context of resource constraint, limiting the ability of non-profit organizations to respond. Despite these challenges, non-profit and community organizations have attempted to meet demands, innovate, and expand to take on the increasing roles they have been asked to fill, at times under increasingly restrictive circumstances. As these organizations struggle to meet these challenges, they have developed new operational forms such as social enterprise, cooperative structures to establish an alternative to profit-centred firms, and models that have increasingly become common in social service delivery. These organizations, which continue to adapt, learn, and innovate in how they address social challenges through front-line service delivery, and the public servants who continue to support and enable this work despite growing adversity, are a second motivating source for this study. We hope the knowledge uncovered here can help inform and advance the work of these front-line service providers and their supporters who continue to pursue social justice in increasingly turbulent times.

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