# *Third way for the third world: Poverty Reduction, Social Inclusion and the rise of 'inclusive' liberalism*

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***Abstract:*** In the wake of frank neo-liberalism, and in the context of rising security fears, ways are being found to provide market liberalism with a more inclusive face. The Poverty Reduction Strategies currently dominating international development, and Thirdway OECD 'Social Inclusion' policy frames claim common purpose to promote 'opportunity, empowerment and security' for people and places on the peripheries of global economies and societies. They share commitments to global economic integration and openness, market led growth, 'good' and 'joined up' governance, local and social partnerships, and wide-ranging activation of 'capacities'. But the high rhetorical aspirations of liberalism to social 'inclusivity' have so far overreached empirical gains for the poor. Drawing on developing country examples of Poverty Reduction Strategy and public policy in New Zealand's current Labour government, this paper sketches salient features of 'inclusive' liberalism. It critically examines its status as a Polanyian turn within a wider liberal project, which seeks to re-embed and legitimate a liberal social and economic order.

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### *After neo-liberalism?*

*On the basis of our broad strategy, we have formulated the following policy response to poverty: promoting opportunities, creating security, strengthening capabilities and generating empowerment… Faster growth will require policies that encourage macroeconomic stability, shift resources to more productive sectors, and integrate with the global economy… Attention is also needed to the social structures and institutions, which affect development, also called social capital.*

*Cambodia's interim Poverty Reduction Strategy Paper, 2001, p2-3*

*An inclusive economy provides well-being to New Zealanders by ensuring that there are broad based opportunities for people to participate in society and the economy… Higher incomes expand opportunities and choice and provide the basis for participation in society. A society of people that enjoys high levels of participation, interconnection and cohesion is defined in this project as possessing a high level of social capability…*

*New Zealand Treasury, Towards an Inclusive Economy, 2001, p13.*

Contemporary liberalism may be hegemonic, its central truth of global market integration more plain and potent than ever: but it remains a plural liberalism, a liberalism bolstered left and right by a 'cluster of values' around the centrality of the market. This is certainly decorative, sometimes distractingly so. In current parlance, there seems to be a preference for three and four part clusters, generally including market 'opportunity'; 'good', or 'modern governance' leading to 'empowerment', social and economic 'inclusion' and, especially, conservative 'security'. Variations on this cluster have been bursting out all over the place, from the headline World Development Report *Attacking Poverty* (World Bank 2000, 6-7) - "promoting opportunity, facilitating empowerment, enhancing security" - to keynote 'progressive' policy statements, such as New Zealand Prime Minister Helen Clark's 2002 speech to the London School of Economics - "fairness, opportunity, security"[1] – a much more reactionary George Bush's September 8th 2001 "Priorities for Fall: Education, economy, opportunity, security"[2].

This rubric clearly travels well. It runs, as we will describe, through the 'Social Inclusion' orientations and strategies (SIS) of Third Way governments and local councils, where it appeals to the enormous diversity of organizations working in 'partnerships' around social exclusion, social development and wellbeing. It is practically evinced in a range of local and national projects of integration into the global knowledge economy, achieving 'joined up' social governance, investing in smart, healthy human capital, enhancing social cohesion and security, and endless 'consultation'. In international development, it is the staple of Poverty Reduction Strategy Papers (PRSPs) being developed between poor countries and development agencies like the World Bank, IMF, Asian Development Bank, the UN and major bilateral donors. In PRSPs, global economic integration, liberalisation and good governance are joined to a range of human capital and safety net provisions, designed to ensure active participation in the project of 'building an inclusive world economy' (World Bank 2002d). Despite limited evidence of the overall formula's success, the World Bank/IMF recently reported that 'today these processes are taking hold in some 60 low-income countries'[1]. More than 30 countries have completed their first full PRSP, while many more have completed the first stage, called Interim PRSPs. Very quickly, the PRSP process has become an imprimatur of policy orthodoxy, an access requirement for institutional development assistance, and the entry point for a bewildering range of disciplinary 'good governance' innovations.

Like Social Inclusion Strategies, Poverty Reduction Strategies sketch the elements of a consensus embracing global with local, the IMF with children in sub-Saharan communities, inclusive values with sharp disciplinary governance frameworks. But how substantive is all this convergent, inclusive activity? By design, keywords like 'inclusion', 'opportunity', and 'empowerment' mean all things to all people, and this kind of universalising is usually a hallmark of ideological deceit. Calls for a more 'inclusive' approach to policy have long emanated from the *left*, where the politics of identity, respect for difference and recognition of marginality have displaced the politics of class. But calls from the centre *right* for an inclusive (global) economy (NZ Treasury 2001, World Bank 2002d), or even 'inclusive capitalism' (World Economic Forum 2003) strike a more fabulous note, especially when affinities with inclusive global marketing (Klein 2000) and what Thomas Frank (2002) calls 'market populism' (which claims that markets are very democratic) are weighed. Perhaps all this is simply shallow, even lazy globalisation: in policy content, much of the shared language of this convergence looks like the triumph of Third Way policy spin or consultants' mimicry of accepted World Bank formulae as they move from one assignment to the next. When projected from the international policy houses in Washington, The Hague and London to appear unadulterated in the PRSPs of the world's most turbulent, poorest countries, the frailty of these 'travelling rationalities' seems simply, almost laughably perverse. Thus, while Perry Anderson describes Thirdwayism as "the best ideological shell of neo-liberalism today" (Anderson, 2000, 11), critics of the core World Bank/ IMF/ multilateral Poverty Reduction Strategy Papers (PRSP) argue for "stripping adjustment policies of their poverty reduction clothing" (Hellinger et al, 2001, 1).

Rhetorical, naively rational, second hand, yes: but we think it would be wrong to dismiss this as just more of the same, or to argue (with e.g., Kelsey 2002) that Third Way policies are only pragmatic agglomerations, and have no wider coherence. This would be to underestimate both the scope of emerging consensus, and the depth of its political, practiced and moral bases of support. That said, we do know that questions about the relationship of this convergence to previous neo-liberal developments are central. It is no accident that 'liberal' welfare regimes (the US, UK, Australia, Canada: Esping-Andersen 1990, Castles 1994) and the aftermath of radical neo-liberal reform (structural adjustment, Thatcherism, The New Zealand Experiment, the rise of NGOs, competitive contracting) are patently the points of departure. Yes, this *is* more Liberalism. In large, we note that Liberalism is genetically oriented to protecting existing property rights, and providing for their expansion. Liberal projects have always had a bias to the propertied and potent, been hyper-reactive to fears of insecurity, and on reflex have invoked the rule of law and other moral ideology to defend and expand liberal order (Rose 1999a, 1999b; Thomas 2001). Liberal projects of 'including' the poor have usually appropriated and watered down their political power, at the same time keeping existing property and market power divisions firmly off the agenda. Instead, the poor have been offered a targeted parsimony, moralising, education and health services, and plenty of surveillance through 'research' and policing, while they wait for 'the market' to deliver what wellbeing it will. The current convergence doesn't deviate much from this rubric, but we are convinced that it represents a shift from the root and branch rationalities of neo-liberalism which characterised the 1980s and early 1990s.

### *The rise of 'Inclusive' Liberalism*

Our thesis is that for a range of reasons and in a fabulous but highly uneven range of ways we are moving into a *re- embedding, securing* phase in contemporary liberal hegemony. Contemporary liberalism has moved beyond a previous disaggregating, deregulatory and 'more market' phase (frank, rationalist 'neo'-liberalism), and has turned toward embedding, legitimating and securing liberal reform. We think this phase is best called 'inclusive' liberalism and in this paper illustrate this 'inclusive' phase by describing two of its most evident expressions, the Poverty Reduction Strategy (PRS) approach, which has come to dominate international development (addressed in Part 1), and Social Inclusion Strategies (SIS), in particular, the current turn in New Zealand's social experiment (addressed in Part 2).

The 'inclusive', embedding turn, we think, has two vital, formative dimensions: the first, a defensive or reactionary one best understood against Karl Polanyi (1944), and the second, an 'expansion of inclusions', best seen as both a project of re-framing, and reconstitution of society and political economy as a series of plurally institutionalised and 'joined up' liberal domains, programmes and subjects.

The *first, defensive dimension* may be seen in the reactions to neo-liberalism. Whether in development's Structural Adjustment or in the kinds of radical marketisation in OECD countries, neo-liberalism ultimately failed to emerge as what Regulationist Theory calls a durable socio-economic and spatio-temporal 'fix' (see e.g., Peck and Tickell 1994). Development's 1980s 'lost decade', debt and currency crises, the re-emergence of 'failed', 'disrupted' and 'fragmented' states, the collapse of social service delivery, the failure to budge poverty in much of the developing world, violent protest on the streets of Seattle and elsewhere, all contributed over time (and sometimes very sharply) to a sense that much more had to be done if liberal reforms were to survive. 1997 seems to have been a watershed – the Asian financial crisis, and the "tremendous heat" directed at the IMF (Fisher 2001); the urgent calls for a more 'capable state' in the 1997 World Development Report (World Bank 1997); the renewed sense of 'moral duty' and the shrillness of the 'no rights without responsibilities' movement triggered by the incoming Blair Labor government in the UK and elsewhere (Blair 1998, Short 1997). In short, a range of critics assailed neo-liberalism's legitimacy many from within the headline international financial institutions.

We like others find Polanyi's (1944) 'double movement' progression in market/ society relations instructive here. The first movement, economic liberalisation and integration, involves the breaking up or disembedding of traditional and local social regulation by market relations, enabling increased, unfettered penetration of market forces. Here, parallels with the neo-liberal revolution are currently attracting increasing comment (see e.g., Silver and Arrighi 2003). This is followed by the second, embedding moment, where, acting almost intuitively a range of what Polyani called 'enlightened reactionaries' rally to mitigate the social disruptions of market-led liberalisation. In the current case, the enlightened reactionaries are as likely to be functionaries within international financial institutions or central governments seeking to restructure social services, as activists within increasingly engaged NGOs, seeking partnership around poverty issues. They might equally be framers of competition and trade regulation, ordinary left voting constituents, or public health activists, aware of rising health inequalities and clients falling through service gaps. Each in various ways contests and regulates the market orientation, giving it a human face or policy limit.

There are substantial risks this second movement will fail: the instabilities and resentments created by the first movement can in turn give way to fascist, authoritarian populism and religious demagoguery. There is a considerable element of risk management involved and as shown by the over-writing of development with security and concerns, inclusive liberalism has close affinities with both the Blair doctrine of 'liberal interventionism' and neo-conservatism (Blair 1999, Biligin and Morton 2002, Economist 2003a). On the other hand, a liberal turn towards the social has wide-ranging historical antecedents (the social positivism of the French Saint Simonians, 19th century social liberalism, Lord Lugard's dual mandate, the New Deal, Lyndon Johnson's 'Great Society', and Robert McNamara's 'defensive modernisation' in the 1970s). In this recuperative moment, the social face of liberalism has typically sought to specify dimensions of particular local need and lack, while evoking an 'enabling' liberal moment of producing 'positive freedoms' and capabilities (Berlin 1968, Sen 2000). In their best moments, some current projects of PRS and SIS approach this. But more commonly this convergence works in more conservative ways, within constrained, almost *phoney* forms of the social, propagating juridical rules and programmes of security and safety, while merely talking up participation, partnership and community. These projects and domains are operationalised primarily in co-optive and top-down ways that expressly disconnect them from political economic mechanisms driving social exclusion. In short, third way joining up is plural and wide, but not socially that deep. The social Humpty Dumpty remains profoundly fractured, only superficially sutured (except by market relations). And that is the point.

The *second, institutional and domain framing dimension* of 'inclusive' liberalism is also concerned to embed or secure a disaggregated social order. For our purposes, most salient here are the ways institutional and political economic flesh are put on bare market rationalities, investing them with a series of *'inclusive' but still disaggregated* imperatives: moral, rational, consensual, efficient, strategic, activating, harmonising. In one aspect, this looks like what Tickell and Peck (2003) describe as the 'rolling out' phase of (neo-) liberal reform. Three related 'embeddings', 'expansions', or 'imagined inclusions' (cp Anderson 1991) seem most important. The first actively incorporates the poor within 'globalization' and 'the global economy'. For *nations*, this means adopting world trade rules and conservative fiscal policies, removing trade barriers and opening capital markets, but not necessarily removing migration or trade barriers in the core. For *individuals*, this primary inclusion is inclusion in labour markets, or in training for these, a preparation which now begins in the social investments made all the way from (before) the cradle, to the community to the (global) workplace and economy.

The second embedding is ideological and political. It involves elaborating a liberal consensus to reach well beyond mere market liberalisation, to include concerns about security, stability, risk, safety, inclusion and participation. All of these are de-politicized, consensual rationales, absolutely suited to a global liberal order without serious ideological rival. Here, the ideological and political task is to imagine and create ways to offer the most excluded of the poor some stake in the wider liberal order, while at the same time protecting it from legitimate contest. Great efforts are made to be seen to 'include' those classic liberal subjects, the vulnerable: the excluded, the poor, the marginal, the child. Whereas a previous neo-liberalism would have left these to sink or swim in the frank market, 'inclusive' liberalism won't let them get away so easily. Their right to be included comes with obligation. Accordingly, as Tony Blair frames it "the rights we enjoy reflect the duties we owe: rights and opportunity without responsibilities are engines of selfishness and greed" (Blair 1998, 4). As we will see, terms like social cohesion, social investment, community and participation do a great deal of ideological work. A quasi-social 'harmonisation' is evoked through a range of overlapping, often moral imperatives (about responsibility, reciprocity, fighting corruption, community safety, international security). This is a crucial point of departure from previous neo-liberalism, and the rationale for a great deal of augmentation of bare bones neo-liberal governance.

The third embedding or inclusion is much more practical, governmental, and spatial. It involves the active reconfiguring of structures of society and governance along more global, 'inclusive' liberal lines, and a limited, shallow 're-territorialising' of some functions around 'neo-archaic' and 'etho-political' domains like community (Deleuze and Guattari 1983, Rose 199a). This starts with the disaggregation and representation of individuals in communities linked in different ways to the global market. This re-structuring is often achieved through 'information rich' technical programmes and measures (e.g., Participatory Poverty Assessments, individualised work tests). Individuals and their local communities are then reintroduced to wider governance and market relations in subordinated, disaggregated ways, as localities with their own strategic plans, as regions coordinating their own service delivery, as partners in social governance or community development. Again, this integration is not simply neo-liberal market integration: it is the active constitution of rules, relations, and domains, which are imagined to be social as well as economic, and within which you are 'included'. The evocation of apparently consensual and social domains of community, partnership and participation as a cure to poverty is we think not just sociologically naïve, nor is this creating positive 'islands of sovereignty' within the state (Jayasuriya 1999, 439). It routinely obscures real social differences and conflict and collapses local authority into technically bounded domains.

'Inclusive' liberalism establishes a clear set of boundary markers around an abject peripheral domain of *exclusion.* For those in excluded domains, moral and other sanctions limit the ways back. But 'inclusive' liberalism does elaborate disciplinary, stepwise rubrics around the edges of the included zone. PRSP is one such 'inclusive rubric'. Outside the included zone, the poor are embedded: but embedded in peripherally framed places where the problem of poverty can be locally owned and services imputed to them as 'social income' while they work their way back step-wise into the global economy. For those remaining outside, or who fail to participate, there is obverse face of 'inclusion': entrapment and labelling if not as 'terrorist', then at least deserving moral sanction and policing, and suspension of even meagre charity and benefits.

We will sketch the parameters of the 'inclusive' liberalisms PRS and SIS in Parts 1 and 2 and then critically address these in Part 3. There, we will also consider what inclusive liberalisms offer, the opportunities for contest and progressive engagement.

### *Part 1: PRSP: The 'Inclusive' global order of Poverty Reduction*

The World Bank renewed its commitment to poverty reduction in the *1990 World Development Report*, following its preoccupation in the 1980s with debt crisis management and 'Structural Adjustment'. The Poverty Reduction paradigm is now being deployed throughout the developing world by an increasingly 'like- minded' set of agencies from the World Bank and IMF, through the UN agencies to bi-lateral development, and of course in partnership (or sometimes critical dialogue) with civil society and NGOs. PRSPs represent a high water mark of this harmonising, 'inclusive growth' framework construction (Craig and Porter 2003). PRSPs set out to describe a country's "macroeconomic, structural and social policies and programmes over a three year or longer horizon, to promote broad based growth and reduce poverty, as well as associated external financing needs and major sources of financing" (IRIN 2001), focussing "on the whole public expenditure program, to ensure that all foreign and domestic resources are spent well" (World Bank 2002a, 23). The renowned 'three pronged' strategy of PRSPs, described in most polished form in the *2000 World Development Report*: *'Attacking Poverty'* as enhancing 'opportunity, empowerment and security' (World Bank 2000a, 1), pops up in each and every country PRSP document. The Government of Moldova's (2000) interim PRSP gives the basic sense:

> "The government's poverty reduction strategy will be founded on three pillars: (i) sustainable and inclusive economic growth that will provide the population with productive employment (ii) human development policies emphasising increased access to basic services (especially primary medical services and primary education), and (iii) social protection policies targeting those most in need".

In disciplinary terms, the PRSP process has become a pre-qualification programme for IFI assistance, a way of moving upfront due diligence around concessional funding and other interventions (IMF packages, concerted bilateral program aid), thus bolstering the frail conditionalities of previous adjustment and policy based lending. While currently couched in inclusive terms - all poor countries are being urged to take it up – PRSPs' adoption is increasingly a key part of wider 'aid selectivity', through which governmentally and morally corrupt (the unworthy poor) countries, those least capable of passing the test, are perversely marked off from their competitors. The two step interim-to-full PRSP process does allow lagging countries time and scope: but it also suggests an important liminal or boundary elaborating aspect to PRSPs, where countries may get stuck at certain increasingly clearly defined points, and allocated assistance accordingly. More generally, PRSP may be seen as part of the creation of 'competition states' (Soederberg 2001, 851) where poor countries struggle to distinguish themselves, one from another, only in terms of the degree of their subordination to policies that would signal both their credit-worthiness, so as to attract and retain private portfolio capital flows, and the strength of their moral fibre as worthy of concessional financing for delivery of essential services.

*The primary inclusion: The global framework, and reigning in The Washington Consensus*

The primary inclusion in Poverty Reduction - open integration into the vortex of the global economy - is at once clearly the most substantive and the most fraught. As Rodrik (2001) notes, integration is sometimes institutionally promoted as a virtual surrogate for development. Broadly, it involves aligning whole countries powerfully within the sharpened parameters of a liberal economic paradigm and in doing so, maintaining a radical openness to both capital flows and the market power of international business. The effort to secure market relations is quite evident, but this is difficult to see as an embedding process. Given that the most recently ruinous damage to economic development has come from openness to the global economy, the attempt to gain stability through integration is as much a defensive orientation as an aggressive one.

The rise of the Euro-dollar market in the late 1960s signalled the beginning of the end for a post war regime that embedded market relations and capital flows within nation states and wider cold war, multilateral security arrangements (Ruggie 1982). The 1980's debt crises and the structural adjustment programmes which followed were an attempt to ensconce both security and openness at the same time, as indicated in the period maxim 'stabilise, liberalise, privatise'. Early in the 1980s, the global economy seemed at risk: adjustment involved addressing price distortions and sharply reigning in deficits on which the funding of social programs depended. Yet the political and social costs of adjustment entrenched resistance. Where radical adjustments were carried through, social fallout was acute, and further destabilizing. The struggle to get countries to adopt the right (structural adjustment) policy involved sharpened rationalizations and, as Kanbur (1999) describes, the adoption of a sharp negotiation stance around policies infamously formulated in retrospect by John Williamson as The Washington Consensus. As Williamson noted in 1999,

> "… one can view [the Washington Consensus] as an attempt to summarize the policies that were widely viewed as supportive of development at the end of two decades when economists became convinced that the key to rapid economic development lay not in a country's natural resources, or even in its physical or human capital, but rather in the set of economic policies that it pursued" (Williamson 1999, 4).

Initial reactions (not least 'IMF riots') quickly led to moves to give adjustment a human face (Cornea et al 1987), chiefly by rapidly disbursing cheap loans, contracting NGOs to act as a 'shadow state' (Sen 2000), and directing resources for services through Social Fund arrangements that bypassed avowedly corrupted states (Parker and Serrano 2000).

In retrospect, the Washington Consensus was notable for what was missing, especially in terms of embedding and security. As experience showed, it especially missed the wider, crisis-engendering effects of ungoverned and speculative capital (Williamson 2002). Its privileging of universal policy settings came in striking tandem with a corresponding silence on substantive rather than formal elements of the economy - industrial and agricultural production, labour and business relations, resources and physical infrastructure. In this respect, the consensus signalled the triumph of the formal, universal and juridical. In the longer run, outcomes of Structural Adjustment ranged from rising global inequalities, to specific experiences in Africa and Latin America (rapid destruction marginal production, persistent instability, and no and low growth over twenty years), to Eastern Europe (oligarchism, collapse of the productive economy) (Stiglitz 1999, Wade 2001). This was hardly the market delivering what it should. So, in poor, highly indebted situations, was adjustment and its market-oriented reform the culprit, or the solution?

As the 1997 Asian crisis made clear, capital was still out of control, and engendering confidence in the institutions managing it was no straightforward matter. Having both openness and security remains a fraught central problem, around which a number of stabilizing devices have been developed, including the 'second generation reforms' in governance, financial and legal sectors referred to below. Technical reforms have been embedded in various iterations of a Post Washington consensus (Stiglitz 1999), and, most recently, by a post-post version from Williamson himself (Kuczynski and Williamson 2003). None of this departs from the basic liberal paradigm: in all cases, the concern is to reduce volatility, embed, legitimate and nuance reforms, and offer a little crisis-proofing to open local economies. Even strident critics restrict their reform proposals to a slightly wider range of policy choices around trade, to entertaining more active roles for the state in the economy, and to reinforcing technical regulatory arrangements around a set of basically sound policy settings (see e.g., Stiglitz 2002, Rodrik 2001). In all of this building a better Washington consensus remains the core aim.

*Poverty Assessment: framing the poor in their places: lack, education, wellbeing*

The re-emergence of Poverty - and the embedding of the Washington Consensus - has been made possible by a range of new technical innovations. The early 1990s saw a new commitment to produce Poverty Assessments (PAs), the "basis for a collaborative approach to poverty reduction by country officials and the Bank" (World Bank 1992, 4). These routinely analyse sectoral, infrastructure and wellbeing indicators, include appraisals of national economic management, sectoral efforts to “develop the human resources of the poor”, and “the extent, reliability, affordability, and cost-effectiveness of the social safety net for protecting the most vulnerable groups and the very poor” (World Bank 2002b). By the mid-1990s, PAs were well established practice, with more than 25 carried out in Sub-Saharan African countries by a mix of international consultants and, in the main, staff from ministries of finance and planning in the recipient countries.

The key effect of PAs is to frame the poor in inclusive, liberal terms: vulnerable, lacking, individualised, localised, but nonetheless consulted about their needs and participants in formulation of policies to deal with their situation. Social and economic factors are framed as quintiles of rich and poor incomes. The poor’s immediate social order is framed through a series of disaggregated and localised categories of community (gender, ethnicity, parent, disabled) in which the poor vulnerably subsist. This framing was greatly elaborated through the shift to ‘Participatory Poverty Assessments’ (PPAs), a move achieved through the ‘partnership’ with NGOs and application of their participatory assessment techniques, known as PRA, or Participatory Rapid/ Rural Appraisal. In PPAs, PRSPs’ sectoral indicators and targets around vulnerability and insecurity are augmented and provided with local voice, content, and a degree of legitimation, but very little wider analytical scope. In the course of a PPA event, the poor are invited to participate in a range of activities (participatory social mapping, issue based focus groups, listing and ranking exercises) designed to represent poverty in its stark local forms. The results are compelling, almost voyeuristic reading, and have been hailed as opening up new dimensions of poverty.

> “’For a poor person everything is terrible: illness, humiliation, shame. We are cripples; we are afraid of everything; we depend on everyone. No one needs us’. Blind woman, Tiraspol, Moldova, 1997.
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> ‘Here there is battering all over the place. Women hit men, men hit women, and both hit children’. Novo Horizonte, Brazil” (Narayan et al., 2000; and World Bank 2001b).

Notwithstanding much debate about what PPAs add, whether the process is durable, etc (Norton et al. 2001; Oxford Policy Management 2001; Robb 1999; Whitehead and Lockwood 1998), there remains a level of uncritical acceptance of their findings within core institutional development circles. The results of PPAs on some levels are revealing: whilst poverty manifests as material deprivation - hunger, the lack of food, shelter, clothing - PPAs also highlight common psychological and micro-political dimensions to poverty - lack of power, control and voice, feelings of dependency, shame and humiliation, gendered exclusions, differential access to institutions and services, and governmental corruption. Yet routinely underrepresented are the roles of the poor’s political organisations such as unions, parties and left leaning (ie, pro-poor) governments. Left-right politics, and the role of class in the capture of power and the distribution of its benefits, or the collusive relations of political elites, local judiciaries and police are generally entirely absent.

The explicitly local focus obscures wider structural effects in the political economy: the structure of core productive sectors, factors that are clearly effects of market economy development and adjustments, market power and wider access issues: international migration opportunities, tarrif and trade restrictions in core countries. The effects of externalities and fallout from production processes (pollution, workplace injury) or the responsibilities of global and local corporates, may turn up, but typically as localised problems such as ‘overcrowding’, ‘poor sanitation’, failure of rule of law or ‘inadequate local tax base’. Given all these absences, PRS’s undoubted dedication to building aspects of the positive freedoms, educational competencies and health/ wellbeing capacities start to look a good deal more Liberally idealist, and less of a substantive attack on systemic poverty. Education for the marginal, for women, does matter, but as Easterly (2001) underlines, is hardly a guaranteed ticket to OECD ease.

*Inclusive Discipline: The rise of good governance, and ‘ownership’*

By the mid to late 1990s, blame for failure of the 1980s structural reform policies had been squarely laid with developing country governments (Dollar and Svensson 1998, Hoogvelt 1997, 170). As evidence accumulated that reforms tended to be accompanied by short run social disruptions that prompted default or at least a wavering in commitment, attention focussed on how to garner the necessary degree of ‘national ownership’, the key to ensuring the 'long run commitment'. With realisation that “country-ownership of a poverty reduction strategy is paramount” (IMF/IDA 1999, 6), a host of process consultation and psychological ownership instruments, variously informed by ideas then prominent in organisation theory (Cooke 2003, 52) were applied to craft ownership and commitment.

At the national scale, the World Bank's Comprehensive Development Frameworks (CDFs) reflect efforts to move beyond the one-off, annual conditionalities of Structural Adjustment Credits, and to pitch these “as part of an ongoing process through which the Bank and the borrower develop and nurture a mutual trust and commitment as the reform proceeds” (Branson and Hanna, 2000, 4). Simultaneously, the poverty agenda was greatly enlarged by the success of the international lobby concerned with debt reduction[3]. By 2002, 23 of 41 heavily indebted countries had qualified for debt relief under the HIPC (Highly Indebted Poor Countries) debt reduction programmes (IMF/World Bank 2001; World Bank 2002a, 23). However, eligibility under the HIPC initiative comes with two sets of disciplinary, embedding provisos. First, countries must adopt a range of domestic policies believed necessary for debt sustainability, to reduce vulnerability to external shocks, improve access to commodity markets, and to implement globally sanctioned regimes of conservative macro-fiscal management. Second, HIPC eligibility entailed the proviso that the ‘debt dividend’ would be channelled to support ‘pro-poor’ public sector investments defined according to international PRS targets and indicators. HIPC, then, became part of the larger 'accountability framework' that explicitly binds countries into global macro-economic, governance and social policies. It also became part of an emerging inclusion rubric, a set of tests which determined a country’s worthiness to enter the inclusive domains of debt forgiveness and concessional loans. Since 1999 multilateral banks have begun to tie allocations of the most discretionary finance to assessments of each borrower’s policy and institutional performance in ‘areas relevant to economic growth and poverty reduction’. In other words, a common platform for the accountability of all developing nations came to the fore, to ‘translate the international consensus into action’. “This resource allocation is aimed at concentrating resources where they are likely to have the most impact and to ensure consistent treatment among IDA-eligible countries” (World Bank 2000d, 1). At this writing, the next round of this selective, disciplinary inclusivity is being elaborated by the US government’s Millennium Challenge Fund.

Ownership had also to extend well beyond the country officials who typically negotiated the conditionalities for concessional financing. For so-called 'second generation' reforms to be successful, "it is more important for their processes to be owned by middle management, as well as top-level technocrats" (Bolt and Fujimura 2002, 152). Given the pointedly global content of policy and the instruments and processes for its articulation into recipient governments and societies, the irony and duplicity of these approaches being labelled ‘country driven’ has not been lost on critics (Malaluan and Guttal, 2002). This local deepening of the PRS orthodoxy was to be achieved in large measure through fiscal discipline. Realising that “the PRSP will only become truly effective when the PRSP itself is closely aligned with the budget process in each country”, Medium Term Expenditure Frameworks (MTEFs) quickly became regarded as “the centerpiece of a cluster of reforms on which both the likely character and the implementability of a PRSP depend” (IMF 2003, 1). The MTEF is a tool for linking policy, planning and budgeting over the medium-term (i.e., 3-4 years). It consists of a top-down resource envelope, (aka, 'the hard budget constraint'), and a bottom-up estimation of the current and medium-term costs of development policies. MTEFs provide one, comprehensive device through which global agreements, national inter-sectoral budgeting and highly localised investments are bound together in ways that were never possible through the instruments of national development planning of national accounting that were popular in newly independent nations. In practice, MTEFs now sit in a larger basket of World Bank/ IMF risk management procedures as part of wide-ranging fiduciary and due diligence assessments of a country's public financial accountability arrangements (World Bank 2002, 22). Public Expenditure Reviews (PERs), Country Procurement Assessment Reviews (CPARs), Country Financial Accountability Reviews (CFARs), Financial Sector Assessments (FSWs), and so on all help PRSPs to embed the reforms in country ‘ownership’ commitments (IMF/ World Bank 2001, 8).

Thus, in this ‘second generation’ framework, the broad values orientation to trust and mutual commitment sits alongside sharp disciplinary technologies designed to ensure that budgetary decisions made by developing countries are globally legible ('transparent') and in accordance with negotiated agreements ('accountability to conditionalities') about 'reaching international development goals'. PRSPs thus serve multiple purposes, framing-representational, policy-rational, risk containment, articulative and technical: they define specifics of local poverty in wider terms, they detail local strategies to 'alleviate' poverty according to international conventions, and then, especially via MTEFs and the like, create at national level a framework to ensure fiscal and technical resources are targeted and encourage public sector agents to “resist introducing indicators of performance in poverty reduction that are not included in the policy matrix of the national PRS” (OECD 2003, 59).

*Pluralised inclusions: Partnerships, place and multilevel governance*

The plethora of peacemaking missions to ‘at risk’ countries illustrate how far inclusive liberal orders must go to maintain the shape of spatial ‘power containers’ like the nation state, no matter how perverse its colonial boundaries may now appear. But beyond this, emerging as a key ambit of ‘good governance’, there is a growing focus on decentralisation and, following globally promoted doctrines of subsidiarity, the transfer of powers and resources down to as low a level of government as feasible- ‘bringing government closer to the people’. While there is a great deal of institutional caution and qualification about just how pro-poor decentralisation is, it is believed that the right kinds of decentralisation will improve allocative efficiency and accountability in pro-poor ways. Associated ‘local capacity building’ exercises, especially training of local officials in accounting and transparency techniques, and increasingly ambitious reform agendas for the judiciary, the police now form a substantial part of the practical side of ‘good governance’ programmes (Golub 2003). Again, the argument and ambit here is typically technical and utilitarian, rather than political. Nevertheless, here as in other liberal regimes, a limited politicisation of local domains is certainly permitted, and even encouraged. And, as NGO participation and PPA- type participation are joined to multilevel governance, certain kinds of wider political and technical contests of liberal orthodoxies should become more possible.

At all levels, and across the conventional divides of business, state and civil society, today "partnerships (are) at the heart of the Comprehensive Development Framework/PRSP approach" (World Bank 2002, 6). Partnerships are especially sought with both government agencies and NGOs commonly in the representation of local voice for wider policy processes, especially in

PPAs. As Uganda's bellwether PRSP puts it, the Participatory Action Plan involved

> "consultations at the central government level as well as with local governments, with donors, with Parliamentarians, and with civil society, as well as the development of adequate feedback mechanisms to ensure that all stakeholders have contributed effectively to the drafting process" (Government of Uganda 2000).

In practice, these partnerships commonly serve as proxies for wider democratic participation and legitimacy, supplying PRS with a badge of legitimacy. Their effects in co-opting civil society legitimacy and contest, and reducing contest to aspects of service delivery to be addressed consensually, is much less commented on.

*Reducing poverty?*

The local framing and activation of good governance mechanisms alongside Social Funds and HIPC transfers often seem to be substantive re-castings of local situations along Poverty Reduction lines. Where they are held together over time, there is little doubt these instruments can result in dramatic increases in global financing for pro-poor services. In Uganda, for instance, the Poverty Action Fund (for schools, primary health care, agricultural extension services, water supplies, roads, etc), increased from almost zero in 1998 to US$51 million in 2000/01 to a current level of around US$ 290 million, almost 33% of the total national budget (Craig and Porter 2003).

Whether all this ultimately reduces poverty or not seems to depend not on whether the poor get better education or health services, but to an extraordinary extent on where they live. Certainly the patterns of growth in the past decades have been regional (Africa and Latin America going nowhere, South, East and north Asia gaining ground); even more importantly, they have been related to the geopolitical integrity of particular post-colonial national territories- whether or not, that is, your particular state has 'failed'. But while peripheral and especially post conflict states have emerged as having predictable problems with both internal governance and attracting external 'integration', the dons of liberalisation have perversely noted that if you take national boundaries and regional differences right out of the question, the world imagined so inclusively as to have 'no countries' has on the whole grown a substantive middle class, and taken as a whole is more equal (Bhalla 2002). But notwithstanding the fact that PRSPs look much the same wherever you are, place, and local specifics, matter enormously. That great Ricardian vice, global abstraction leading to one-size-fits-all policy, seems especially perverse when considered against all the framing and fixing of the poor within local contexts engendered by PRSPs.

The rhetorical links between neo-liberal economism and the mechanisms of poverty reduction are frequently strained. In Vietnam's case, a highly successful liberalisation program-which has seen real progress in poverty reduction- is currently being urged on in the process of developing that country's PRSP, known as the Comprehensive Poverty Reduction and Growth Strategy (CPRGS). A recent Poverty Reduction Strategy Credit for Vietnam characteristically involves a substantial but highly fungible World Bank loan to support a range of processes that act at two or three policy level removes from the manifestations of poverty represented in PRSPs - dispossession, powerlessness, humiliation, etc. Many in MDBs now accept that it is near impossible to demonstrate these linkages and moves are afoot to remove entirely the pretence of 'poverty reduction' classification from policy lending instruments or to so broaden them as to admit most types of investment (World Bank 2001, Bolt and Fujimura 2001). While the poverty implications are played up in the title and objectives, the Vietnamese credit and program clearly have basic global integrating and path smoothing for foreign and private sector investment as their major goal, and almost all of the actual objectives. The credit is primarily oriented, in its own words, towards a series of two headed goals, the two heads of market freedom and poverty being rhetorically and tenuously linked in a series of 'joined up' objectives (or perhaps an antiphonic chant series), which we will separate here into parts A and B (stressing that in the original the transitions are seamless). Thus Vietnam's program, supported by the PRSC, would (A) promote faster growth and (B) poverty reduction by:

(A) Improving the climate for the private sector, thereby (B) generating jobs and higher wages;

(A) Reforming state enterprises to improve efficiency to (B) free up fiscal resources for poverty reduction program;

(A) Restructuring the banking system to reduce the risk of financial crisis, which (B) could otherwise undermine the poverty reduction efforts;

(A) Integrating with the world economy to (B) expand labour intensive exports (World Bank 2001a, 3).

Here, in increased service delivery to poor communities, and in the rhetorical, almost cynical linking of the poor's position to branding a cheap loan, advancing global integration and dismantling state owned enterprise, we see both the effectiveness and the perversity of Poverty Reduction. 'Inclusive' it may be; liberal it absolutely remains.

### *Part 2: Thirdway Social Inclusion*

Social Inclusion takes different forms in different places. The Third Way versions are subject to considerable national and regional variation. In choosing New Zealand as the case for this section, we only gesture in passing at an enormous body of policy development and critical work elsewhere, especially in the UK (see especially Levitas 1998, Rose 1999a, Callinicos 2001, Newman 2001). New Zealand's status, however, as international pinup for neo-liberal economic, governance and social reforms (see e.g., Schick 1998), together with its rapid and contradictory turn towards social inclusion orientations, makes it a fascinating parallel case for Poverty Reduction Strategy.

In projecting a globally integrated, modern, opportunity rich, inclusive, community focussed future, New Zealand's fifth labour government (1999-?) strikes some familiar notes. Resonances in other recent policy documents confirm the general orientation. In the NZ Treasury's (July 2001) Policy statement *Towards an Inclusive Economy*, the three pillars of PRSP-style poverty reduction (Opportunity, Empowerment, Security) have become 'Productive Capability (arising from inputs of labour, capital and technology, and productivity), Social capability (arising from norms, values, trust, institutions, networks, human capital) and Wellbeing (arising from consumption of goods and services, family, health, job, security, community, freedoms and opportunities)' (NZ Treasury 2001, 15). Core policy documents also cited here, including the newly dubbed Ministry of Social Development's 'Social Development Framework', *Pathways to Opportunity*, similarly reproduce core 'inclusive' liberal orientations to participation and activation, social inclusion investment and cohesion, and so on.

As is common in New Zealand policy history, a great deal of this looks like near- verbatim borrowing, combined with a willingness to experiment and tweak international models in ways that often pushes their application further and faster than is possible in core countries. New Zealand is not entirely unlike other developing countries, especially in its adoption of headline policy settings, designed to send sharp signals to global capital. On the other hand, policy importation and plural Thirdway objectives mean that New Zealand is a famous site of policy hybridisation as well as apotheotic policy rationalism (Kelsey 2002). And, given New Zealand's status in the bottom half of the OECD, the resources needed to create a substantive social democratic social inclusion strategy (such as the Dutch policy -Netherlands Government 2001) are simply not available. In this sense, not unlike the UK, New Zealand remains a liberal welfare regime, and its approach to social inclusion therefore has a distinctive, Anglo-Saxon thirdwayism about it, which might be distinguished from a more continental or redistributive mode of social inclusion (Levitas 1998, Esping-Andersen 1990). Here radical global economic openness and social fragmentation have crucial legacies, and powerfully constrain more social-democratic initiative. Perhaps the clearest UK parallels are to the Scottish Social inclusion model (The Scottish Office, 1999), where a highly decentralised and 'bottom up' approach has been embraced by a regionally sensitive (and somewhat cash-strapped) government.

*The primary inclusion: Integrating the vulnerable into the global economy: the Social Development frame*

As in ‘Poverty Reduction’, the inclusive, joined up re-branding has been pervasive, encompassing social as well as wider, national economic projects. New Zealand is a radically open and highly transnationalised economy, with no controls on capital or goods movements, few on foreign ownership, a very low tariff regime, and a floating currency. Helen Clark’s Labour government have consistently been concerned to leave no-one in any doubt that New Zealand remains fiscally disciplined too. As *Towards an Inclusive Economy* reiterates, current policy settings continue to be built on a conspicuously Washington Consensus economic framework.

> ‘Improved wellbeing of New Zealanders is vitally linked to our ability to achieve and sustain a steady rate of growth in our national income per head. Therefore, in looking for new and more effective ways to enhance wellbeing, we cannot afford to overlook the basics- those elements of fiscal, monetary and regulatory policy that are important for growth, stability and the efficient functioning of key markets…’ (New Zealand Treasury, 2001, 7).

In this context, the integration of New Zealanders into the global economy is a primary inclusion, managed through both strict adherence to conservative fiscal and policy, and the active positioning of its citizens in relation to international markets, universal liberal rights and responsibilities, and their ‘communities’. While the Thirdway policy orientation contains salient elements that might proxy for a generic labelling (‘Inclusion’, ‘Innovation’, ‘Riding the Knowledge Wave’, ‘Wellbeing’), the broad social policy framework has been dubbed ‘Social Development’. Again, the core, joined up elements here are not new:

> Social development is essential if we are to succeed in the wider world and the global economy… The desired direction is one informed by values of equality of opportunity and a hope that people will feel a sense of belonging in their communities. People in New Zealand want to be included in the fabric of their society, not excluded from it. They want the rights, benefits, and responsibilities associated with belonging. From The Social Report 2001: Indicators of Social Wellbeing in New Zealand (Ministry of Social Development 2000, 3).

Within this wider framing, the circular logics linking (global) markets, exclusion, community and growth are pervasive. All of these concepts are rhetorically and governmentally ‘joined up’, sometimes by a very slippery blurring of their edges:

> ‘…the concept of well-being refers to the contentment, happiness or satisfaction of individuals. It is similar to the economic notion of ‘utility’ ... Well-being is a function of the ability of people to make informed choices and live the type of life that they choose. This is because for the most part, people will choose to live a life that makes them satisfied or contented’. (Ministry of Social Development 2001a, 2).

‘Social exclusion’, for example, ‘is detrimental, for families, communities and economic growth’ (Ministry of Social Development 2000, 3).

*Framing (and activating) the excluded in their places*

On an individual basis, inclusion in the global economy means *activated, disciplined inclusion in the labour market, or in training or education* for such inclusion.

> ‘A new social development approach will assist people to gain the skills that lead to a sustainable job, provide effective support to keep them in work, and make sure that taking a job always leaves them and their families better off’ (Ministry of Social Development 2001b, 4).

To achieve this primary integration, all the pastoral and activating resources of government are now brought to bear, across the whole life cycle: interagency case management of school-training-work transitions, individualised work testing and welfare to work programmes, wraparound welfare services. The disciplines of integration, to be sure, are never far away, either from the included, or the wider economic framework: 'For those who do not accept their responsibilities, there will be sanctions. Those who fail to take up suitable jobs that are offered to them will not receive taxpayer support' (Ministry of Social Development 2001b, 16).

In its statement of social inclusion aims, the Ministry of Social Development (2001a, 11) notes that addressing both the symptoms and the causes of exclusion involves 'protecting those individuals who suffer social exclusion, through, for example, income support or public health services; and reducing the risk of future social exclusion by tackling the causes of disadvantage'.

> 'This requires building capacity, creating opportunities, and tackling existing areas of social exclusion. Examples of such policies include measures to reduce child poverty, literacy, early childhood education, primary health care, economic development, active employment policy, and improving work incentives and making work pay'. (Ministry of Social Development 2001a, 11)

As in PRS, the legitimating place of vulnerable subjects, especially children and families is thus to the fore, while structural and political contexts are subordinated and obscured by universally appealing notions like wellbeing, care, participation, community development and work. Needs, which are given fulsome account in both PRS and SIS, are depicted as lacks which can be made up through a judicious mix of appropriate services, and responsible 'lifestyle' action and participation on the part of the subject themselves, located within their immediate 'community' environment, and efficiently governed.

But social development, while linked closely to notions and situations of vulnerability (the child, the poor), is perhaps most powerfully animated by notions of *social investment*, raising human and social capital for a wider project of creating a globally competitive and integrated national economy[4]. In this rubric, leaving the vulnerable excluded constitutes a cost, while including them is easily representable as a downpayment on longer term social and individual wellbeing. Here the family becomes a kind of social investment account, promising long term investments creditable to the national human capital balance, as government seeks "to find the best ways to encourage and support parents in work and help them bring up the next generation of New Zealanders". (Ministry of Social Development 2001b, 14). Here, the state actively 'partners' mothers, expecting in return a premium of both care and a working contribution to the household cum national economy. On the ground, the 'joined up' dimensions of this approach offer enhanced case management and disciplinary possibilities: monitoring, collaborative family case management, individualised assessments.

As in Poverty Reduction, then, this 'inclusion' involves the establishment of both a structurally disadvantaged periphery of 'poverty', and a rubric of limited, disciplinary and market focussed inclusion. In more substantive social democratic regimes, activation policies like this one typically sit alongside strong minimum income and income security commitments (see eg, Netherlands Government, 2001). In New Zealand, 'making work pay' is a deliberate policy of durably ensconcing a tangible income gap between those on benefits and those in even low paid work. Long term poverty, then, has shifted to a periphery, consisting of an ethnically concentrated, market-peripheral demography populated in the main by single parents. Family tax credits, initially instigated to compensate poor families for a very regressive Goods and Services Tax, have not been inflation adjusted, and have fallen sharply in real terms. Here, the crucial differences between 'mere inclusion' in a liberal regime, and a structural intervention targetting poverty become stark. Arguably the most substantive, focussed poverty intervention so far in this government's term came very early, in the form of removing market rents for state housing. But even this was extremely narrowly targeted; overall, income inequalities have grown under the Labour government (Ministry of Social Development 2003a).

Meanwhile, the mechanisms of surveillance and representation available to social inclusion policy continue to be elaborated. Through these, it is possible to achieve homogenised as well as finely differentiated and targeted measurements easily attuned to localised and national policy. The mapping of poverty has had a palpable effect in some policy areas, especially health (New Zealand Ministry of Health 2000). The NZ Deprivation Index breaks population data down into geographical mesh blocks of ninety people, measured against an index of deprivation composed from nine variables (Crampton et al., 2000). This has proven a resonant way of mapping for example the social gradient in illness, where health related variables (outcomes and exposure to risk factors) vary according to social determinants (Marmot and Wilkinson 1999). In New Zealand as elsewhere in the OECD, this kind of social epidemiology provides a powerful empirical base for those arguing that gaps in income between rich and poor have a range of direct implications for relative wellbeing. While the development of sensitive social monitoring indicators directly related to social development policy, poverty and partnerships remains a challenge, the newly initiated Social Report (Ministry of Social Development 2003a) will provide regular updates of key indicators. A 'Voices of the Poor'- like qualitative reporting of poverty is also being considered.

*Reintegrating governance, from centre to locality*

As in the UK, the re-alignment of governance structures towards the new convergence is underway (see e.g., State Services Commission 2001). In New Zealand's case, the extent of radical neo-liberal reforms was globally unprecedented, especially in the ensconcement of New Institutional Economics (Williamson 1990) in these reforms, including a series of radical decentralisations splitting policy and operations, funding and service provision, driven through a sharp contractual regimes and a pluralizing of responsibilities for service provision. The use of contract as a disciplinary device initially gained New Zealand reformers international recognition for introducing what looked like a regime of clear, rational yet multiple accountabilities. Experience proved, however, that contracts as a governing device were not inherently conducive to effective social service delivery let alone substantive social engagement, consensus or accountability. One effect of the notoriously rationalised and narrow output classes around which contractual accountability was built was a perverse narrowing of services to only the exact terms of the contract. Organisations 'stuck to their [contractual] knitting', and client needs beyond the terms of contracts were commonly not attended to. Many clients became objects of narrow service delivery from a perverse number of local providers, while particular needs of other's simply fell through the cracks. Competitive contractualism became a byword for fragmentation, as well as for fractious and strained contractual relations between funders and providers. Many community organisations greatly resented the contractual regime, and in some instances actively resisted it.

The fifth Labour government was elected partly on a platform of healing social divides evident in the wake of neo-liberal reform. First to go was the policy-operations split where, for example Social Welfare had been divided between Ministries of Social Policy and a number of operations and delivery agencies. The new Ministry of Social Development recombined these roles, and may take on others, in the wider interests of defeating narrow 'silos of 'wellbeing' oriented governance. Beyond this, the radical contractualism has also been hedged around by new injunctions to partnership, government- community collaboration, and sustainability (see e.g., Department of Prime Minister and Cabinet 2003). A range of other reforms, notably in Health (the establishment of District Health Boards) and local government, have re-decentralized governance, and added mandates in areas of wellbeing and long term, inclusive community planning to local government processes (Craig 2003). The rise of e-governance, and the rationalisation of interagency statistical and strategic orientations around commonly available information and indicator bases, looks increasingly able to support these processes.

More recently, the prospects for Regional Coordination and Integrated Service Delivery have been considered as part of the *Review of the Centre* process (Ministry of Social Development

2003b). Within a broader new institutional economic framework of 'results oriented management', government agencies are being impelled via their senior staff's contractual accountabilities to pursue broader policy and social objectives, in collaboration with other organisations. Amendments to the Local Government Act will likewise see expanded local government wellbeing mandates, and expanded requirements for community consultation in planning. In contrast to the prescriptions of 'good governance' in developing countries, local governments are unevenly involved in a whole gamut of local economic strategy, from place marketing to public-private infrastructure provision and commercial partnerships. Despite this growing attention, however, local collaboration remains peripheral to core transfer and funding regimes. These are often linked to poverty indices, which determine the allocation of funds for service delivery. 'Social fund' type mechanisms which channel funds direct to localities such as the UK's Area Based Initiatives have been only tentatively trialled in 'Strengthening Communities' and Health Action Zone programmes (see Stoker 1999, and Newman 2001 for UK parallels).

In all of this, contractualist accountabilities continue to sit a little awkwardly alongside consensual and collaborative ones. If the net effect of all this reform is to elaborate accountability regimes on paper, in practice social accountabilities remain largely technical and service oriented, while wider social or political accountability remains as elusive as ever, perhaps even being crowded out by the much narrower collaborative or contractual kind. As wider inequalities determine who lives where, the poor are routinely sorted into poorer neighbourhoods, where they remain responsible to a range of wrap-around providers, with precious little practical leverage.

*Legitimation and local embedding: Including and partnering community organisations*

As in PRS, then, organised places, communities and local governments are increasingly important territories for social governance, or the embedding of the poor. Local territory is of course framed not in its relation to the potent, unequally allocative mechanisms of global- cum-local capital, but in terms of consensual, moral engagements, involving partnership and 'local ownership':

> "Government is working with communities to ensure services respond to local needs. We are identifying the key players, and supporting them in finding local solutions to local issues… These include the community and voluntary sector, businesses, local government and the communities themselves… Our approach is designed to foster a community ownership of solutions " (Ministry of Social Development 2001b, 18).

Here again, despite a much touted claim to be addressing neo-liberal fragmentation through inclusive and partnership arrangements, the social remains cast in its disaggregated, de-politicised forms and domains; communities, organisations, families. Where the community and voluntary sectors have long been 'partnered' via a fairly harsh contractualism, the relationship is being recast in more participatory and inclusive terms (Ministry of Social Policy 2001), in instances blurring the boundaries of the third sector and social governance (see Geddes and Bennington 2001 for UK parallels). Consensus based collaboration, however, remains locally very uneven. Local social service and governance partnerships bloom in one jurisdiction, but wither in another. What look like collaborative partnerships around one table appear as competing factions elsewhere. In particular, inter-locality collaboration in areas such as demonstrating and contesting the effects of central policy on income distribution or regional inequality is practically non-existent. Despite increased collaboration on one level, local practices of sticking to their collaborative, service oriented knitting remain dominant, with wider social accountabilities rarely considered, let alone activated. Locality remains a kind of liberal 'power container' within which limited, technical contest is allowed, but beyond which very limited wider social or political contest is encouraged. Thus embedded in their peripheral communities, the poor can look forward to receiving a range of services, which sometimes in the broader scheme of things are considered a form of imputed income.

But at least they should feel noticed. One spectacular development has been the emergence of partnerships around the safety and vulnerability of 'at risk' populations, in particular, children. In general, we might see this as evidence of a widespread 'new prudentialism' of risk management governance (Rose 1999b, 158). 'Community governance' programmes like 'Safer Communities', which link crime prevention, injury prevention, and road safety, and 'Family Start' - "a joined up solution for children" - are leading examples of interagency practice, able to secure sustained and active participation of a range of players (Ministry of Health 2001). Again, while there are some demonstrable gains in some of these areas, the overall inclusive, disciplinary and risk management ethos remains pervasive, while what gains there are appear extremely vulnerable to widening social inequalities, which are strongly correlated with increased risk to safety (Marmot and Wilkinson 1999). Again questions about wider political accountability, and the possibility of political contest of this emerging consensual orientation around safety and vulnerability appear vulnerable to being crowded out on a day-to-day basis by process management issues.

***Part 3: Embedding the poor in the periphery: the shape of the 'inclusive' liberal project***

The multilevel 'imagined inclusions' of PRS and Third Way SIS evince familiar themes. Here we sum up the twists, upscalings and refinements we think mark the present stage of 'inclusive' liberalism.

The central achievement of 'poverty reduction' and Third Way social inclusion is to do everything possible to create a system of global openness and integration ideally suited to the interests of international finance and capital, within a geopolitical system aligned in every way possible to the interests of most powerful nations, all while depicting the framework arrived at as being first and foremost about the interests of the poorest and most marginal people on the planet. This is no mean achievement. Whether, however, the interests of capital and powerful nations and the poor are in fact totally congruous does nonetheless need a full and fair debate.

1. *The scope of 'inclusion' and 'poverty reduction'*

What is required is a clear sense of what 'poverty reduction' and 'social inclusion' mean and promise. The central claim here is that by being 'included' in a global liberal economy (or in the local version of it, the labour market), the poor, their communities and their countries will move from the peril of extreme poverty (less than $1 per day, no productive stake in society, no human capital), and into a domain of greater prospect and opportunity. This is not a remarkable claim, although it is now quite clear that economic growth will not bring poor countries close to the Millennium Development Goal commitments made in 2002. Thus, the narrowing down of PRS focus to delivery of basic health and education services, water and sanitation and the tailoring of moral responsibility to get at least this part of poverty reduction right is becoming more apparent (World Bank 2004, 32, 35). If achieved, 'Making Services Work for Poor People', the banner title of the 2004 World Development Report, should in this sense see poverty 'reduced'.

But we should also be clear as to what this is not. While 'inclusive' liberalism may deliver palliative services the poor, it is not any kind of immediate challenge to the basic disposition of global or local assets: it offers no impediment to already hyper empowered rich and global capital agents- in fact it removes existing impediments as quickly as possible. Even where it tries, frailly, to urge reciprocal market openness on developed countries, it offers little or typically no support to emerging developing countries' companies and industries seeking to compete in open markets with hyper-efficient global corporations. Above all existing dispositions of property rights, however historically attained, remain unquestioned. In fact, this liberal regime would extend to encompass an unprecedented range of intellectual property, and maintain the right to contest any market or procurement program anywhere, and more.

Nor does 'inclusive' liberalism do anything to promote a more equal world, local or global. While poverty reduction and social inclusion might be imagined as a process of catching up between poor and rich countries, or as a move to reduce inequalities within countries, this is simply not the case. For all the interest in 'pro-poor growth', the actual outcome of growth in widening or reducing inequalities remains almost entirely outside the management scope of the agents of poverty reduction. Moving to $1 a day, or into low paid work may be better than being out of work or living on less than $1, but is no empirical guarantee whatsoever of any kind of equality with richer nations or society members. The gaps between the poorest and even the middle income groups may well in fact increase: mere inclusion as practised in PRS and SIS is fundamentally **not** redistributive in any substantive sense. What the poor and marginal typically do get is some more service delivery, which, if they are fortunate, will not be imputed to them as income.

Nor is substantive growth in any broad empirical sense a certainty. The common belief statements of PRS point to some correlation between a degree of openness to the global economy, and growth prospects. Countries like China and India are indeed referred to as 'rapid globalisers' (Economist 2003b), when they have in fact moved cautiously and from particular historical experiences of self determination into a global trading arena, while not exposing currencies to freetrading flurries. Countries in Africa, on the other hand, which have opened up to trade and capital markets 'rapidly' have scarcely seen anything like this growth. The reasons, as often noted, are plural: but they do include competitive as well as crude 'comparative' advantage, and they certainly need to include a much stronger sense of what factors historically and currently have led to the peripheralisation of whole continents and regions. No amount of imagination of a world without countries (Bhalla 2002) will be of any practical help with this task.

Ideologies like 'inclusive' liberalism have always promised universally what capitalist growth will inevitably deliver highly unevenly. The actual local experience of market inclusion will no doubt come to most if not all of the earth's inhabitants, but for many it will be sharp and shattering, with both winners and losers guaranteed to emerge from uneven inclusions in capitalism's 'creative destruction'. Meantime, the framing of universally applicable laws to govern a universally uneven contest will play into the hands of powerful market actors, whose dominance is ignored and assured by these rules, by outlawing other kinds of economic intervention. Hence 'inclusion''s hollow ring, and sociological innocence about class and political economic difference: in this schema, then, everyone can equally be 'included', from the working poor and NGO assisted community to MNCs and global professional citizens operating offshore tax havens (Levitas 1998). 'Inclusion' thus commonly stands as an ideological proxy for equality, while claiming no less moral status.

*2. The disciplines of enormously elaborated process: the technical and political*

The stark positioning of policies opening and liberalising markets alongside enormously elaborated planning and targeting programmes for service delivery is one of the more paradoxical features of Thirdwayism, and of PRSP. While adjusted countries wait for growth and stability, they must put enormous, unprecedented efforts into aligning budgets, donors, Millennium Development Goals and local governance, and holding them together governmentally by a stunning array of devices for disciplining and making legible local performance against a set of global accountabilities such as the MTEF. While many recipient governments prefer donor alignment to mutually agreed goals, they also lament the fact that not since nineteenth century imperialism has a juridical framework of globalised market rationalities claimed such sway over local political economy. In recipient government circles, the fact that the entire disciplinary frame is expressly legitimated by its 'poverty reduction' label does not go unresented.

In this context, the self labelling and methodical appropriation of the local poor's voices as tools for legitimating PRS itself also raises many legitimacy questions. In short, many ask, while urgings for local ownership are many, engagement with and openness to real political challenge is not at all common in PRSP. It is only partly the point that critical discussion of PRSPs has been contained in 'official' reviews, or that the 'three legs' of PRS and SIS - promoting opportunity, facilitating empowerment, enhancing security – are seldom subjected to normal representative political scrutiny, parliaments or plebiscites (Craig and Porter 2003). It is as if poor countries are simply not allowed to make their own political decisions about poverty reduction: the wider demands of international ‘poverty reduction’ (and security obsessed political economy) clearly dictate orthodoxies at a local level. In short, the whole inclusive rubric seems to reinforce a triumph of the technical and consensual over them political and contested.

There are good reasons why the modernist, technical, and engineering orientation continues to prevail in governance and poverty reduction policies and programs, indeed, why the policy and programmatic concern with what policy ‘ought to be’ is highlighted over the more vexed issues of how they are to be wrestled into local administrations. But as everyone acknowledges, questions remain about real local ownership, and how far down the system it goes. Whereas neo-liberal policies can be formulated in the high level, cloistered and thinly populated domains in which PRS and SIS policies are crafted and endorsed, the domains of practice are highly contingent, and depend not just on systematic understanding of local diversity and history but require intense political negotiation, compromise and plural approaches to engage a large number of people and agencies. The political consequences then are two fold. First, poverty reduction reforms become stalled around globally endorsed, but locally unreal, strategies of the three legs, which can be locally implemented only through recourse to disciplinary measures – budget and expenditure surveillance systems, the foreclosing of local political debate, and the like. Second, in place of the long haul to devise and institute locally relevant productive and social service delivery arrangements which recognise highly contingent class, history, resource and other endowments, PRS and SIS offers only injunctions to ‘local ownership’, accountability and transparency. These values and moral instruments, while sometimes powerful rhetorical levers in resource rich and well endowed contexts offer puny restraint in the fraught, turbulent and often vicious circumstances faced by people living in highly disadvantaged peripheries and indeed may easily play into the hands of national and local elites with less than hoped for concern for the common wealth or plight of the poor.

The emerging limits to technical legitimacy and the susceptibility of these technical settings to local political resistance and contest is an increasingly important issue for development institutions, especially where pro-poor growth is not evident or inequalities are becoming less manageable and the ‘low intensity democracy’ on offer is being questioned (Gwynne and Kay 2000, 151). Nevertheless, it is becoming clearer to a range of constituencies that the juridical elements deployed to implement this policy content – like MTEF, PER, and global good governance and ratings instruments are products of broader political power relations at every level, from global to personal, and have a particular role in sustaining these (Cooke 2003, 48).

*3. Peripheralisation, polarities and pluralities in the new terrains: disaggregation, depoliticisation, asymmetry*

A crucial flaw in PRS and SIS is the failure, post- dependency theory, to adequately engage the causes and structural effects of peripheralisation, marginalisation, and their relation to security and stability. The absence of a substantive structural political economics from current debate gives unwarranted scope to the universalist tendencies in liberal economics and the current inclusive (and conservative) programme. But it needs re-stating that the current consensus is in fact an ‘economic core’ consensus based around core perceptions of the world, and core interests. And that the interests of the periphery and core capital are ***not*** completely congruent, either short or long term. In this context, mere ‘Inclusion’ of the marginal and their places in global and labour markets, value chains and wellbeing service delivery is an untested guarantee of security. Extrapolation from success stories (India, China, Vietnam) is empirically suspect, when other whole regions remain peripheral for diverse and systemic reasons. In this context, more discipline and policing of peripheries will only go so far, and might be expected to feed peripheral vicious cycles of exclusion, fear, and violence.

While explaining peripheralisation is beyond our scope here, a number of dimensions to current political-economic polarisation need noting. While most of the metaphors of PRSP and SIS imagine national level playing fields, both do much of their work at the extremes of scale: overall executive and policy leadership is located at the international/ global level, while contest is restricted to local domains of participation and consultation. In this respect, the convergence is true to its basically liberal framing: global, juridical law and order and individual economic agency; obligations and moral expectations about the participation of local subjects; or, as in George Bush's 2002 *State of the Union* address, global security and local voluntarism. Here, liberalism's long held fantasies of universal law and universal individual activation come together, but at perverse extremes of actual spatial relation. But in at least the short term, this framing of participation into safe, localised, politically neutered social containers seems like a political triumph for this mode of liberalism since it offers many avenues to deflect and redirect politically alert critique or grassroots activism.

Place-based 'inclusive' approaches to poverty reduction have thus emerged as an important strategy in which variants of decentralisation, local contracting out, and community driven development all feature as specific instruments to shift 'ownership' and responsibility for a whole gamut of economic and political problems onto local actors. With economic settings determined globally, and intermediate mechanisms of economic growth and inequality largely removed from the domain of policy and governance, the poor are left very much within local framings, where their vulnerabilities, lacks and needs are apparent, but where they must seize on opportunities to participate in structures of national and global competitiveness. They must sell their labour and goods in this larger context of free trade and human capital, unfettered and unprotected by intermediaries (producer or labour unions) and located in defined places constrained by few opportunities for migratory and other movements.

The elaboration of stepwise, individualised workfare plans and family conference procedures in SIS, the spread of compulsory sentencing, 'three strikes and you're out' rubrics of criminal exclusion, and the implementation of staged interim to full Poverty Reduction Strategy procedures which in turn pre-qualify for selective concessionary loans all send strong signals. While inviting inclusion they are also well prepared to exclude, and to strongly stigmatise the excluded. Through selectivity and active differentiation programmes like New Zealand's 'Making Work Pay' and the US Millennium Challenge Fund, a deliberate and disciplinary resource gap is created between included, activated poor and their peripheral, residual peers. The moral abjection of the excluded, the lazy unemployed, the serial criminal, the corrupt regime, the regime that succours terror are in this formation seen as of a piece.

Peripheries remain shaky, insecure places, acting out subordinated, marginal relations with powerful core interests, with only residual resources and access to markets. Many have been this way for centuries. The asymmetry of these relations, which have become most strikingly apparent in wars on terrorism and the management of financial crises, continue to bespeak the perils and problems of building stability and security on the basis of inequality and subordination. By now, the perversity of embedding poverty in such contexts should be powerfully apparent.

### *Conclusions: Contest, political and technical: beyond mere inclusion?*

Where, then, are opportunities for progressive contest? In our view, these are limited, both politically and technically. Small opportunities lie in technical and juridical aspects - from the negotiated loan conditionalities through to the major investments being made in audit and compliance systems, measuring poverty and 'social reporting' – here, the monitoring of efficiencies and evaluating of outcomes may ironically have the effect of increasing and systematising contest about the adequacy of the policy convergence discussed in this paper. At least in principle, development policy and practices are increasingly exposed to the impact of *evidence*. Where this points to even 'technical failure', and where ongoing monitoring does become an established feature of policy practice, avenues of contest appear to open.

But to whom, beyond social technocrats? In fact all this happens a long long way from real political contest and social agency. And, given 'inclusive' liberalism's nuanced mechanisms for directing political and social difference into depoliticised technical participation and flexible partnerships, NGOs find it difficult and costly to maintain the autonomy, analytical power and ongoing activism for this contest. Political activism matters, and spectacular street protest has certainly had an effect: but the costs of this kind of self exclusion are specifically what this system is designed to raise. The alternative, clearly popular with third sector organisations and community groups, is to work 'included' within the system, within the constraints of domains of social, local and national governance to exploit the small openings made by participatory rhetoric and the ongoing need for popular legitimation.

However progressive these technical domains of social governance would like to be, they are hardly substitutes for the engines of social contest and embedding Polanyi described as driving the social moment of the double movement. For Polanyi,

> "While monetary interests are voiced solely by the persons to whom they pertain, other interests have a wider constituency. They affect individuals in innumerable ways as neighbours, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners patients, mothers or lovers- and are accordingly capable of representation by almost any type of territorial or functional association such as churches, townships, fraternal lodges, clubs, trade unions, or, most commonly, political parties based on broad principles of adherence" (1944, 155).

Thus the embedding moment of the double movement relies explicitly on differentiated interest and plural contest, rather than on some imagined (however plural) consensus which collapses market and society relations into ideological oxymorons like 'social investment' or 'social capital'. Comparison with Polanyi's account leads to the conclusion that Poverty Reduction and Social Inclusion are a much more specific, politically led project, with overwhelmingly technical means, and relatively shallow achievements in social re-embedding or change. Against Polanyis' politically diverse enlightened reactionaries, we might list the many 'adhesive appendages' of a merely 'inclusive' liberalism:

> 'They affect individuals in plural ways, offering them inclusion, integration in the global economy, participation and consultation, partnership, moral direction, civil society organisations, security and discipline, labour market activation and investment in their children, respect for their identity, research and indicators for poverty, volunteerism, joined up, wrap around service delivery, community, decentralised governance, sustainability, medium term expenditure frameworks, local strategic planning, neighbourhood management…

As a form of middle class welfare and investment in social security, all of these might have a value in defending the wider liberal order against catastrophic political challenge. In time, empirical study may in fact show that they support a measure of economic growth, which the market would distribute, again primarily to the middle classes. $1 a day poverty may well reduce. None of this is to be dispaired over. But as far as the poor are concerned, will these in fact deliver security and stability: enough real inclusion for it to make a difference? If not, PRS and SIS might only represent a temporary pre-emptive, strategic inoculation, against a more broadly and socially contested double movement, the kind of political double movement arguably most feared by proponents of a wider liberal project. Thus a Polanyian perspective also encourages the prising apart of these consensual domains and rationales, to see whose interests, contests and voices are being smothered. It also points to the simple naiveity of a programme which imagines social difference can be durably contained within domains like partnership, community, and so on, no matter how plural, 'inclusive' and embedded these become.

In sum, neo-liberalism has left us a social Humpty Dumpty all in bits, which many of Karl Polanyi's enlightened reactionaries are trying to join up again. In PRS and SIS, across rich and poor countries, the past decade has seen a remarkable, syncretistic convergence in basic policy and programmatic prescription. Not yet a substantive turn to a more social liberal project, the current dispensation rather merely manages the social 'inclusively', as a part of wider projects of stability, security and management of capital assets. Yet underneath and set against this project, economic performance is more heterogeneous than ever, and the geopolitics of long term peripheralisation seem more unsettling than ever before.

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[1] http://www.imf.org/external/np/exr/facts/prsp.htm.

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[1] http://www.executive.govt.nz/speech.cfm?speechralph=37394&SR=1

[2] http://www.whitehouse.gov/news/releases/2001/08/20010831-3.html

[3] Notably the Jubilee Network, Oxfam International, Bread for the World, and 50 Years is Enough Network. The adequacy of HIPC is highly contested, which we don't have space for here - for a summary, see Rowden, 2001.

[4] Social Investment is a major dimension of Poverty Reduction too: see World Bank 2002c, especially Chapter 2, 'Managing a Broader Portfolio of Assets'.