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# **Citizenship in a financialised society: financial inclusion and the state before and after the crash**

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## **Introduction**

The aim of this article is to interrogate the impact of financialisation on the evolving nature and practice of citizenship in the UK. Such an inquiry is necessary due to recent governments' role in both responding to and facilitating the financialisation of individuals' daily lives through changes in welfare provision and, in particular, the development of a 'financial inclusion' agenda. This article also asks whether – and if so, how – the experience of the financial crisis of 2008 has modified the relationship between the financialisation process, the state and individuals in this regard. Although the terminology arrived later, the idea that public policy should be used to engender financial inclusion became established in the UK in the 1980s, and formed a significant aspect of New Labour's agenda for government after 1997. Financial inclusion is typically understood as a development in UK welfare provision, given that it involved the innovative use of fiscal measures to ensure participation in aspects of the financial system. As many have pointed out, however, 'asset-based welfare' was not simply a set of new fiscal policies, but part of the wider retrenchment of welfare provision in the UK, which saw the inculcation of expectations around home-ownership to enable individuals to establish financial well-being and security for themselves without calling upon the welfare state (Montgomerie & Büdenbender, 2014).

The immediate context in which financial inclusion has been pursued is the apparent financialisation of UK society. Financial inclusion has invariably been presented as a progressive ‘response’ to financialisation, yet by increasing participation in the financial system, and subjecting greater numbers of people to risks associated with engaging with the financial system, financial inclusion also serves to advance the process of financialisation. Furthermore, and crucially, the financial inclusion agenda advances the financialisation of the state itself. Under the influence of a neoliberal macroeconomic policy framework, the state has sought to abdicate its role in shaping economic structures (which are deemed immutable), and instead developed a new role in regulating *conduct* within the economy, which includes enabling individuals to become self-reliant. Financial inclusion is constitutive of this process, in that it enables the ‘de-risking’ of the state, or more precisely, a particularistic de-risking of some welfare state institutions. Financial risks that might at one time have been shouldered by the state are instead ‘individualised’. There is a large and growing literature on financialisation located across the disciplines of political economy and economic geography. The dominant strain in this literature, that is, studies of both the economic power of the finance sector, and the focus on financial returns as a matrix for appraising economic performance, have more recently been supplemented by studies of the normative or cultural components of the financialisation process in reshaping individual behaviour (Christophers, 2012; Epstein, 2006; Froud et al, 2007; Froud et al, 2010; Langley, 2004; 2008; Lapavitsas, 2013; Leyshon & Thrift, 2009; Montgomerie, 2008; Montgomerie & Büdenbender, 2014; van Treeck, 2009; van der Zwan, 2014). Generally speaking, both strains rightly identify financialisation as a global process, albeit one of particular significance for the UK, or more precisely, a process within which the UK is a key protagonist. As such, while the focus here is on the UK, this article maintains that it is vital to understand in greater depth *how* the UK interacts with financialisation in order to understand the process more generally. It is

primarily the latter strain which has sought to account for the implications of financialisation for UK welfare provision (Finlayson, 2008; 2009; Langley, 2006; although see Watson 2009; 2013a; 2013b for an effective synthesis). This literature generally presents the state therefore as an agent of financialisation, orchestrated through imbibing its traditional welfare functions with the logic of a financialised economy, therefore helping to rewrite cultural norms as well as reinforce the wider economic process. It is of course understandable, and welcome, that financialisation and the financial inclusion agenda have been assessed in terms of its impact on the principle and practice of welfare, yet there are clearly broader implications in terms of the function of the state in a financialised society (and polity), and therefore how the practice of citizenship has evolved in interaction with financialisation. This article's contention, in short, is that this evolution cannot be interpreted as an automatic adjustment of the state to an external process of economic and spatial change. The normative or cultural turn in the literature on financialisation has deepened our understanding of the process in many ways, but does not necessarily offer a sophisticated understanding of the state's role within this process. As such, the state's enduring orientation – as an institution, or set of institutional practices – towards economic growth must be seen as underpinning the apparent *reorientation* of welfare provision.

Financial inclusion cannot be understood unproblematically as a citizenship-derived entitlement. There is an enormous difference between participating in politics, and being included in the economy. Citizenship has evolved in recognition of this, as citizens have progressively been granted the right to protection (or insurance) by the state against the risks inherent in economic participation. To understand financial inclusion as straightforwardly representative of such a shift would be to imply that the risk against which citizens needed protecting was 'financial exclusion'. We should not discount the problems created by lack of access to the financial system in a financialised society, but it must be acknowledged that

being a full participant in financialised society, especially for some groups, poses inherent risks to well-being. It is vital that financial inclusion is assessed in terms of how the practice and meaning of citizenship has evolved more generally, from the bestowal of rights for political participation and, more recently, insurance against socio-economic risks, to a third major shift: proselytising about the responsibilities owed in return for such rights. This article argues therefore that financial inclusion should be seen as an exemplary form of ‘responsibilisation’, in that it accompanies a greater need for self-reliance. Crucially, due to the persistence of the model of economic growth associated with financialisation (Hay, 2013), the financial crisis appears not to have disrupted this pattern. Despite much anger, largely aimed directly at the City of London, there seems little appetite in British society for questioning whether the financial risks that individuals face could be prevented or alleviated through collective action. The causes of hardship have been individualised – and it is difficult to imagine the fundamentally social nature of risk being rediscovered while this growth model retains its attraction.

This article offers a conceptual analysis of financial inclusion and citizenship, although it makes reference to recent and current public policy practice across several policy areas in order to elucidate the argument. By associating financialisation with the UK’s growth model – and crucially, the orientation of state institutions towards supporting this model – it both helps to explain the persistence of financial inclusion despite the financial crisis, and offers an original account of the evolving relationship between citizens and the state. The first section of this article outlines the process and implications of financialisation, arguing that it has not been disrupted – and may even have been intensified – by the financial crisis. Crucially, it associates the process, and persistence, of financialisation with the UK’s growth model, showing that financial inclusion forms part of a relatively novel regime for macroeconomic management. The second section explores in detail the use of public policy

instruments to promote or facilitate financial inclusion, noting its origins under Margaret Thatcher's premiership and showing how the agenda developed under New Labour into an 'asset-based welfare' programme. This article follows Matthew Watson (2009), however, in recognising that the concept of asset-based welfare is relevant to elements of recent government's economic statecraft far beyond the narrow confines of welfare provision, and therefore suggests that financial inclusion is in fact the more appropriate conceptualisation. The coalition government has abandoned some of the fiscal measures originally encompassed by the Labour agenda – yet the rationale for financial inclusion, to enable self-reliance, remains in place. The third section turns attention to the notion of citizenship. Building upon analysis of the responsabilisation of citizenship, it argues that financialisation intensifies the 'hollowing out' of citizenship. Financial inclusion creates new risks, and can only be understood as an aspect of contemporary citizenship if we accept the state's retreat from collectively mitigating socio-economic risks. The fourth section therefore introduces the concept of financial citizenship, as outlined by Andrew Leyshon (2009). It argues, however, that this is a largely fallacious notion which overlooks the risks of prevailing modes of financial inclusion.

### **Financialisation and the UK's growth model**

Generally speaking, the process of 'financialisation' began in the 1980s, in conjunction with both changes in the global economy, and the financial sector liberalisation agenda pursued by Margaret Thatcher as Prime Minister. Although financialisation is often studied in terms of its *impact on* the UK, in practice the development of financialisation and the entrenchment of a neoliberal understanding of and approach to economic growth have to be seen as mutually constitutive. We can understand the core features of financialisation in terms of the increasing importance of financial markets, financial actors and financial institutions to the organisation

of the economy (Epstein, 2006). Andrew Leyshon and Nigel Thrift explain that financialisation has ‘agency at a range of scales’ (Leyshon and Thrift, 2009: 103). They emphasise the securitisation of consumer debt, transacted on global markets, as a key aspect of the individual experience of financialisation, but refer also to greater levels of systemic economic instability, and the enhanced role of capital markets in dictating attention to short-term financial returns for both private corporations and public authorities. As noted in the Introduction, financialisation has taken on additional meanings, related to the imposition and experience of change at the individual level. Alan Finlayson describes financialisation as a ‘realignment of the relationship between the individual and the global financial market’, expressed principally through new forms of pensions and credit, as well as the increase in the numbers of people with mortgages and equity-linked assets (Finlayson, 2009: 401; see also Finlayson, 2008). As such, the household or individual dimension has become increasingly important to analysis of financialisation. Paul Langley (2004) charts this change with reference to the concept being appropriated by cultural political economy, having originated in Marxism and regime theory as part of a meta-narrative signifying the shift from Fordist to post-Fordist capitalist organisation; on this reading, cultural political economy is a field in which the relationship between individual behaviour and embedded institutional and discursive practices is treated as a irreducible aspect of economic life.

This article understands financialisation fairly expansively as a series of connected trends, including: firstly, the increased role and power of the finance sector in the economy; secondly a reorientation of private economic actors’ goals towards short-term financial returns; thirdly, a greater degree of interaction between individuals and financial services; and, fourthly, the personalisation of financial risks as collectivised financial mechanisms are dismantled. As importantly, however, it understands the *significance* of financialisation in terms of its relationship with the growth model which prevailed in the UK in the decades

leading up to the financial crisis. Colin Crouch (2008) refers to this model as one of ‘privatised Keynesianism’, a term applied specifically to New Labour, albeit with its origins identified in Margaret Thatcher’s premiership. For Crouch, the notion of a turn to monetarism in the late-1970s has been highly exaggerated. He argues that governments’ main concern remained managing demand; financialisation (and by association financial inclusion) was unleashed, however, as policy-makers looked to an expansion of private sources of credit, rather than fiscal policy, as the means to boosting consumer demand. Through privatised Keynesianism, the UK economy’s ‘dependence... on domestic consumption intensified rather than weakened’ – a scenario that might be considered counter-intuitive, especially from a neoliberal perspective, in an era of ‘globalisation’ (Crouch, 2008: 481). Globalisation mainly mattered to the privatised Keynesianism regime insofar as it reduced high-quality employment opportunities, and therefore earnings levels, for individuals, ultimately necessitating the growing incidence of unsecured debt for low-income (or ‘sub-prime’) customers, and innovative ways for the wealthy to manage their exposure to new financial risks. Financialisation therefore helped to solve, temporarily, ‘the great puzzle of the period’, that is, how a consumption-based economy can grow strongly while earnings stagnate (Crouch, 2008: 481).

Colin Hay (2013) offers a slightly broader account of the UK’s pre-crisis growth model – he labels it ‘Anglo-liberal’ in recognition of the influence of the shift in classical liberalism, under the influence of neoclassical economics, towards neoliberalism. The Anglo-liberal growth model’s basic element was the use of debt and housing equity withdrawals to fund consumption. The liberalisation of credit markets and very low interest rates facilitated this process, but were also necessary to sustain its momentum. This situation had various implications, including increasing household indebtedness and a house price bubble; both introduced risks to individual well-being and economic stability, but could not be dampened



without undermining consumption (Hay, 2013: 25). Clearly, the growth of the financial sector was integral to the model. Financial sector ‘innovation’ in fact enabled greater volumes of ‘sub-prime’ lending and high loan-to-value ratios, as debt obligations were securitised and traded, and high street banking was subsidised by the expansion of banks’ investment activities (Gamble, 2009: 16). Bank investment was primarily directed (ultimately) towards property rather than one might be understood as productive activity, and was itself largely enabled by the banks’ own debt-based business model (Hay, 2013: 27; Thompson, 2013; see also Casey, 2012 for a discussion of the relationship between financialisation, debt and the Anglo-liberal growth model). The services sector, more generally, became utterly dominant within the UK economy during this period. This is associated with the financialisation of corporate practice, which dictated that short-term financial returns were prioritised over long-term investment, providing for a ‘low road’ business model adopted by many firms which incentivised concentration in labour-intense industries (characterised by low pay) with low barriers to entry in terms of capital investment (Berry, 2014).

Acknowledging the relationship between financialisation and the Anglo-liberal or neoliberal growth model, as evident in the UK, helps to explain why financialisation has not been significantly disrupted by the financial crisis of 2008 – despite the fact that the crisis led to a severe economic slump. Firstly, the swift action of the Labour government to rescue the banking industry (the so-called ‘bailout’) both prevented the collapse of financial sector in the UK and reinforced the sense of a financial system that was both decoupled from democratic oversight and ineliminable from neoliberal growth, as the government believed it had little choice but to intervene in the way that it did (see Bowler, 2013; Brown, 2010). Secondly, both the nature of the coalition government’s austerity agenda, and even more so the rhetoric employed to justify this agenda, appears to further entrench aspects of financialisation. Clearly, it reinforces the need for individual self-reliance, albeit at least

partly because our ability to rely on the state has been further undermined (Stanley, 2014). Austerity firmly applies the logic of financialisation to the management of public finances, as we are told that the UK must be able to ‘pay its way’ within the world. The cherishing of the UK’s triple-A status with the rating agencies epitomises this development; it was listed as a ‘benchmark for Britain’ in the 2010 Conservative Party election manifesto. In short, austerity – fundamentally a product of the logic of financialisation – justifies the continuation of the neoliberal growth model in a post-crisis environment. The next section will argue, accordingly, that apparent differences between New Labour’s and the coalition’s financial inclusion agendas are fairly superficial.

### **Financial inclusion and welfare provision**

Financial inclusion is understood here as the greater participation in financial activity of groups relatively excluded from the financial system – as such it is a policy agenda which applies most directly to low-income households. However, it should also be seen to signify the deeper participation of those *already included*. Both categories are centrally relevant to the statecraft, associated with financial inclusion, which is explored in this section. The story of financial inclusion and UK public policy should begin with the Thatcher government. In 1986, Personal Equity Plans (PEPs) were introduced, offering special tax arrangements designed to encourage wider equity ownership, followed by Tax-Exempt Special Savings Accounts (TESSAs) in 1990 to encourage more people to save. However, neither initiative was successful in terms of integrating low-income households into the financial system directly (Jupp, 1997). Yet looking at these specific policies creates only a partial picture of the Thatcher government’s financial inclusion agenda. Indeed, Thatcher consistently stated that the creation of a ‘property-owning democracy’ (a recurring motif of Conservative Party rhetoric since the early twentieth century, but given greater prominence by Thatcher) was the

chief objective of her policy programme. In 1987 she stated it as the main goal of her third term in office, but in fact had in 1975 already espoused its importance to her political philosophy in her maiden conference speech as party leader in 1975, attributing the concept to Anthony Eden (Francis, 2012: 275; Thatcher, 1975). Bestowing the ‘right to buy’ their homes on council tenants in 1980, and to a lesser extent employee share ownership schemes in privatised industries, are key examples of how the notion of financial inclusion illuminated the Thatcher government’s programme more generally. We can also see the deregulation of the financial services industry in the same way. Deregulation of the mortgage market assisted the widening of home-ownership, but just as importantly, the Thatcher government also deregulated the sale of personal pensions – that is, ‘defined contribution’ pensions, which individualise the risk of saving for a retirement income. Crucially, the fiscal incentives previously available only to ‘defined benefit’ pensions, where risks are shouldered by employers, were now also applied to defined contribution pensions (Morris & Palmer, 2011). To reiterate, in defined contribution provision, individuals’ outcomes are not guaranteed in advance, and instead depend on investment performance and, usually, annuity rates available when they reach retirement.

Yet the strategic use of public policy interventions to engender financial inclusion is an agenda (and vocabulary) associated most appropriately with the New Labour governments of the late-1990s and 2000s. It is not implausible to suggest that financial inclusion was central to New Labour’s modernisation project, at least rhetorically, in that it enabled Tony Blair and Gordon Brown to transpose a progressive intent upon the Labour Party’s quintessential accommodation to the neoliberal economic policy framework. Financialisation was not itself deemed pernicious – Blair and Brown were rarely reluctant to praise the value and ingenuity of financial institutions – and was encouraged on the basis that public policy could be used to mitigate certain exclusionary practices and enable the financial inclusion of greater numbers

of people. The financial inclusion agenda therefore simultaneously both augmented and softened financialisation. In practice, however, virtually all of the elements of New Labour's financial inclusion agenda – such as popularising equity investment, increasing incentives to save, and promoting both personal pensions and home-ownership – had been pioneered by the Thatcher government.

Interestingly, the main application of the terminology of financial inclusion by New Labour related to an agenda that was fairly novel, that is, the creation of very simple financial products, designed for those for whom mainstream financial services were relatively inaccessible. Crucially, however, New Labour's interventions in this area were not envisaged as an attempt to address financial exclusion for its own sake; rather, financial inclusion measures were perceived as a way to combat the more general problem of *social* exclusion. Lack of access to, and proficiency in, basic financial services problematised formal employment, and therefore fed into the processes by which individuals become distanced from mainstream cultural and economic life. New Labour also pioneered the direct payment of welfare payments into bank accounts, to incentivise engagement with financial services. Financialisation was not conceived as a cause of social exclusion, but rather a neutral and normal aspect of mainstream society. Basic bank accounts (BBAs) were introduced in 2003, in partnership with the retail banking sector, to enable poorer households to open less risky bank accounts – essentially to allow these groups to access the labour market. BBAs allow the deposit of wages and benefit payments automatically, direct debits to pay bills, and withdrawals at cash machines. But they have no overdraft facilities or cheque books, and limited debit card facilities. Similarly, with financial support from the government the Post Office introduced Post Office Card Accounts (POCAs) in the same year. BBAs and POCAs to some extent reflected the government's opinion that the financially excluded are *legitimately* excluded by providers, given their higher risk profiles, meaning that less risky

(although less functional) products will encourage providers to offer a more limited or ‘particularistic’ form of financial inclusion (Midgeley, 2005).

Nevertheless, it would be misleading to see New Labour’s financial inclusion agenda solely in these terms, or as an agenda that did not materialise as a policy objective until 2003. Individual Saving Accounts (ISAs) were introduced in 1999 to replace both PEPs and TESSAs (ISAs could be held in cash or equity). ISAs appear to have been more successful than their predecessors in increasing access to a simple, tax-efficient savings vehicle, although the extent to which they are utilised significantly by low earners is unclear (see HM Revenue and Customs, 2007). Labour’s first term also saw the introduction of ‘stakeholder pensions’, designed to offer a simple, low-cost pensions saving vehicle for low and moderate earners with little or no access to a workplace pension. Stakeholder pensions were exclusively personal or defined contribution pensions, and therefore the policy aimed to increase access to lower earners the novel, individualised form of pensions saving which first emerged in the 1980s. As with BBAs and ISAs, these were products offered privately by financial services providers, albeit in accordance with statutory regulations. Most employers were required to make a stakeholder pension product, or a suitable alternative, available to their staff. However, while many stakeholder pensions were established, it is not clear that they succeeded in encouraging low-earners to save more. Between 2001 and 2012, membership of stakeholder pensions gradually increased, but the proportion of employees actually saving in a workplace pension scheme fell from 55.3 per cent to 46.5 per cent – suggesting that stakeholder products helped to mitigate the declining popularity of traditional forms of pensions saving, but did not produce new savers (Office for National Statistics, 2013).

The centrality of pensions policy to New Labour’s financial inclusion initiatives is a clear sign that the agenda was designed, at least in part, to usher the financialisation of the

state itself. Population ageing (even if the impact has been exaggerated or misrepresented in some ways) formed an explicit part of the public rationale for stakeholder pensions, as individuals were told they can no longer rely on the state to fund increasing periods of retirement (Department of Social Security, 1998). Importantly, stakeholder pensions also show that financial inclusion was concerned with both access for the excluded, and a more intimate form of financial participation for the already included: they sought to extend pensions saving (in practice, a form of direct investment in financial markets) to disadvantaged groups, but also to enable all individuals to build a complex financial asset, tying part of their retirement security to future investment returns. For Matthew Watson, Labour's changes to pensions provision signify the real significance of financial inclusion: it was not simply about boosting financial participation, but rather to facilitate a form of privatised welfare, propelled by an image of 'tension prone active worker-saver-investor subjects' (Watson, 2013a). Watson suggests that interventions by New Labour to encourage private pensions saving were the key element of what several commentators have termed 'asset-based welfare', which he defines as a turn 'away from the passive receipt of state-provided welfare services and towards active management of assets through which individuals become personally responsible for releasing future income streams when welfare needs demand they do so' (Watson, 2009: 42).

Given the failure of stakeholder pensions to meaningfully increase pension scheme membership, New Labour essentially abandoned the policy in 2006 (although products are still available) when the independent Pensions Commission reported that requiring employees to 'opt in' to pensions saving was unlikely to succeed (see Pensions Commission, 2006). In place of stakeholder pensions came 'personal accounts'. The Commission – established with cross-party support – outlined plans for compulsion on all employers to establish a workplace pension scheme and make contributions to employees' pensions above a certain level.

Crucially, employees would be automatically enrolled into a scheme, with the option of opting out; those opting out would be re-enrolled after three years, or when they changed jobs. New Labour accepted the Commission's proposals almost verbatim, although the notion of state-provided personal accounts gave way to the creation of a government-sponsored, defined contribution, multi-employer pension provider (the National Employment Savings Trust, or NEST), and statutory rules to ensure that other providers (which would maintain the vast majority of the pensions saving market) adhered to standards similar to those upheld by NEST when offering schemes for automatic enrolment, with the crucial exception of independent scheme governance. After a short review the coalition government decided to take forward New Labour's plans, with automatic enrolment enforceable, and NEST operational, from late 2012.

There were a number of more narrowly-defined interventions by New Labour in this area. The Child Trust Fund (CTF), introduced in 2005 (and back-dated to September 2002), was the most prominent of these. Through this scheme, children were awarded £250 at birth and a further £250 at age seven (children from low-income families received £500 at both points), with the intention that parents would top up the funds, which were held as cash or in low-risk equity products with tax-free growth. The fund would become an asset for the child upon reaching eighteen; it was hypothesised that possession of the asset would help to mould the way individuals think and behave – making them more responsible and ultimately productive – and in particular help to ease the transition between adolescence and adulthood, enabling greater self-reliance for young people (Nissan and Le Grand, 2000). However, we should not overstate the significance of schemes such as the CTF. Alan Finlayson (2008) has charted how the CTF became much less ambitious in scope as it journeyed from idea to implementation, with assumptions about the extent of behavioural change it would engender

taking on a central role in the rationale, to some extent displacing the desire to help young people develop a financial asset.

New Labour's vision for financial inclusion as a route to well-being was epitomised, above all, by its attempt to help individuals to enter and traverse the housing market. The Labour government went much further, however, than simply establishing a 'right to buy' for social housing tenants (which had been a key agenda of the Thatcher government). Two key shifts are evident in this regard: firstly, housing was transformed from a universal right, which the state was obliged to strive to uphold, to a vehicle for private investment gains. Secondly, the state's role in relation to housing was transformed from 'direct securing of distinct patterns of housing tenure' to 'securing a macroeconomic environment in which mortgage lending conditions produce continual upward pressure on housing prices' (Watson, 2009: 47-48). As such, widening access to credit and maintaining low interest rates, ostensibly features of monetary policy rather than fiscal policy – and certainly never conceived as aspects of the welfare state – were decisive elements of New Labour's welfare agenda. Alongside macroeconomic stability in general, both were consistently and systematically pursued, providing, as Colin Hay argues, 'both the incentive and the opportunity for first-time buyers to enter a rising housing market and for established homeowners to extend themselves financially, by either moving up the housing ladder, or releasing the equity in their property to fuel consumption' (Hay, 2013: 26). On this issue, Hay concludes that '[a]sset-based welfare was, in effect, a way of mortgaging the future capacity of citizens to provide for themselves with dignity on the vagaries of the housing market' (2013: 29). Through its multi-faceted support for housing investment, across all segments of the market, New Labour seemingly strengthened the process of financialisation by encouraging more people to take on investment risks. It also helps to reinforce the crucial



point that asset-based welfare is not simply about new fiscal measures taking the place of traditional welfare-style interventions; it is about the inculcation of responsibility

Given the relationship between housing market gains and consumption, it is clear that asset-based welfare was focused far more on enabling spending rather than increasing saving, and as such this agenda represents ‘the social policy corollary of Anglo-liberal growth’ (Hay, 2013: 26). Pensions saving is a misleading exception in this regard, given that pensions do not substitute consumption, but rather defer it. It is worth noting that New Labour had of course proposed ‘the Saving Gateway’ at the same time as the CTF; available only to people in receipt of certain means-tested benefits, including in-work benefits, through the Saving Gateway the government would add 50p to basic savings accounts for every £1 saved by account holders over a two-year period. A maximum of £25 could be paid in each month, and only new savings would be rewarded (that is, only funds that exceed the previous month’s final balance). However, despite two successful pilot projects, the Saving Gateway was never introduced – postponed by the Brown government and abandoned by its successor. The scheme was, in any case, available only to the very poorest groups within society, that is, those highly unlikely to become home-owners.

The main problem with the notion of asset-based welfare, however, is that it is not really ‘welfare’ at all: it is both *more* and *less*. As noted above, the term signifies an expansive agenda which utilises a wide range of policy interventions in support of a given growth model. At the same time, however, the agenda is not focused on maintaining or adapting collective forms of protection against risk, but rather displacing ultimate responsibility for welfare to the individual level. This understanding of welfare sees it as a corollary of citizenship, or more precisely, ‘social citizenship’, the notion that citizens have the right to be protected against a range of socio-economic risks, as well as the right to participate in the political processes of society. In the case of automatic enrolment into a

private pension, we see the state not only partially abdicating its role in provide for older people's welfare in retirement, but also (softly) compelling us to become financially included, or more intimately financially included, whether we like it or not.

Before discussing the implications of such shifts for citizenship, it is worth reflecting briefly here on changes undertaken by the coalition government across these areas. The key policy change introduced by the coalition government initially was the abandonment of any significant fiscal support for general saving, beyond the continuation of ISAs. The CTF was immediately discontinued (albeit replaced by junior ISAs, available on much less generous terms than 'adult' ISAs), and plans for the Saving Gateway aborted. Automatic enrolment, in contrast, retained support, despite costing far more than the CTF or Saving Gateway (in additional pensions tax relief expenditure). Clearly, these changes can be explained, in part, by unwillingness from the coalition to fund progressive fiscal measures in support of financial inclusion. In fact, despite largely proceeding with Labour's plans, the coalition has introduced an 'earnings trigger' for automatic enrolment, linked to the fast-rising income tax personal allowance, meaning many low-paid workers are not automatically entitled to an employer contribution into their pension, as originally envisaged (see DWP, 2010). Generally speaking, measures to support pensions saving have been retained and strengthened. In enabling welfare retrenchment, such measures accord with the financialisation of the state. At the same time, measures to support general saving have been withdrawn. While ostensibly aimed at delivering self-reliance through financial inclusion, such measures arguably also create new welfare-based risks for the state. For the coalition, self-reliance is best inculcated by welfare state withdrawal, not the enabling state. The necessity for individuals to be financially included is unchanged.

Such an orientation is consistent with the coalition's economic strategy, which depends upon private household consumption, funded by increased indebtedness. The OBR says that

private consumption will be contributing almost two-thirds of GDP growth by 2017 – at a time of stagnant earnings, this simply cannot be sustained without relatively high levels of consumer borrowing (OBR, 2013). As under New Labour, the coalition government has identified a buoyant housing market as central to this agenda, and as such through the appointment of Mark Carney of the governor of the Bank of England has sought to ensure a sustained period of very low interest rates. As expected, Carney quickly replicated the ‘forward guidance’ he first implemented as Governor of the Bank of Canada, meaning that interest rates will remain low until certain economic conditions (principally a low unemployment rate) are met; these conditions were in fact relaxed in 2014, allowing interest rates to remain low indefinitely, after unemployment fell more quickly than anticipated. Furthermore, the Funding for Lending (FFL) scheme has enabled banks and building societies to borrow money at very low rates from the Bank of England, providing it is loaned out again to businesses or consumers – the scheme is widely credited with driving down mortgage rates (the Bank subsequently altered FFL to concentrate on business lending). Perhaps most significantly, the government has introduced the Help to Buy (HTB) scheme – a deliberate echo of Margaret Thatcher’s ‘right to buy’ – through which buyers of new-build homes can take out a loan from the government of up to 20 per cent of the value of the property, if they are able to contribute 5 per cent, in place of a deposit. Crucially, HTB also enables banks to insure the risk of offering mortgages with high loan-to-value ratio. The scheme was expanded in late 2013, and subsequently extended to 2020.

FFL and particularly HTB actually involve the state taking on new, and significant, fiscal risks, even though neither has been described in these terms. This does not problematise the notion that the state has been financialised, but rather demonstrates that it is a means to an end: the state will ‘invest’ in the housing market insofar as it facilitates the resurrection of a pre-crisis growth model, but is no longer willing to insure citizens against

the risk of hardship to the same extent. Financial inclusion has always encompassed efforts to deepen the engagement with the financial system – involving greater risks – of the already included, as well include the currently excluded. Under the coalition government, the balance is now weighed towards the former. The coalition is less interested in progressive fiscal interventions, and greater support for the housing market is required to resurrect the growth model. It may also be the case, however, that the financialisation of everyday life, even for those with very low incomes, is largely complete, irrespective of the abandonment of measures such as the Saving Gateway. As such, while the coalition champions the dismantling of New Labour’s approach to welfare, significant continuities are evident. Indeed, it is plausible to conclude that the coalition’s own agenda would not be possible without the foundations laid by its predecessor, not least in reframing the notion of citizenship, as the next section explores.

### **The hollowing out of citizenship**

Generally speaking, citizenship in Western countries like the UK has proceeded from the establishment of ‘political’ rights to a wider conception of social citizenship, or the right to be insured against certain risks. This pattern has, however, seemingly gone into reverse. As an aspect of citizenship, financial inclusion implies that the state is protecting citizens from the risk of financial exclusion. However, financial inclusion has far more often been articulated in relation to new responsibilities, than as a set of new citizenship-derived entitlements. A state that enables individuals to take part in the economy may be welcome insofar as it implies assistance for disadvantaged groups to participate in the economy on a more equitable basis. But this appears to have been only a marginal aspect of the financial inclusion agenda; moreover, even this ambition has been marginalised in the hands of the coalition government.

Financial inclusion fits, therefore, with the third major shift in the evolution of citizenship, that is, 'responsibilisation'. Conditionality for benefit entitlements, for instance, has always been a feature of welfare provision, and certainly took on greater significance under the Thatcher government. But it is under the New Labour government that the notion of responsibilisation first emerged. The basic argument is that policy-makers' understanding of citizenship has more to do with establishing responsibilities for rights that we already have, rather than rights in return for responsibilities imposed by socio-economic structures. Responsibilisation essentially reverses the basic logic of how citizenship has developed for decades. For John Clarke (2011), New Labour upheld three overlapping versions of citizenship: firstly, the activated citizen, making contributions to society principally through work. Secondly, the empowered citizen, endowed with choice not simply through formal electoral processes but also in relation to the provision of public services. New Labour's third version of citizenship, according to Clarke, involved the responsibilised citizen. Responsibility has always been central to citizenship, but New Labour went further in defining acceptable behaviour as individuals taking responsibility for themselves, in the process forgoing the resources they were ultimately entitled to from the welfare state.

Accounts of the responsibilisation of citizenship, however, often overlook the economic context in which this shift has occurred. Yet responsibilisation takes the particular form it has taken as the meaning and practice of citizenship interacts with the process of financialisation. The growth of the financial sector and amplification of financial motives, for instance, is the immediate context in which defined contribution pensions have grown in importance; these products require individuals to take greater risks, or in other words, take responsibility for their own retirement security. Similarly, the responsibility to engage with the housing market is inescapably bound up with the neoliberal growth model associated with financialisation. More generally, responsibilisation at the individual level means fewer mechanisms of

collective responsibility – responsabilisation therefore facilitates the financialisation of the state.

### **The fallacy of ‘financial citizenship’?**

Andrew Leyshon, whose work with Nigel Thrift on financialisation was discussed above, argues there has emerged a new form of citizenship, namely ‘financial citizenship’, appropriate to the risks faced in a financialised society. In the *International Encyclopaedia of Human Geography*, Leyshon defines financial citizenship as ‘a concept that recognises the significance of the financial system to everyday life and confers a right and ability on individuals and households to participate fully in the economy and to accumulate wealth’ (2009: 153). Accordingly, efforts to increase financial inclusion flow naturally in the same way that, for instance, unemployment benefits or state pensions flow naturally from the notion of social citizenship. Leyshon of course recognises that many people are financially excluded, and in fact concludes, crucially, that only the ‘super-included’ truly experience financial citizenship (2009: 156).

Judged on its own terms, Leyshon’s logic is essentially sound. Financialisation requires a new form of citizenship, which has not yet been attained by all. However, the conflation of financial citizenship with financial inclusion or participation in the financial system heralds several, critical questions. Firstly, it seems to take no account of the responsabilisation of citizenship. Leyshon assumes that new forms of welfare provision posited as a response to financialisation represent an organic extension of social citizenship, rather than a way of reinforcing the inculcation of responsibilities inherent in the broader financial inclusion agenda. In contrast to Leyshon’s view, therefore, in an important sense we are all financial citizens, irrespective of our relative inclusion or exclusion from the financial system – because we all have the responsibility to seek inclusion, helped only partially by limited

fiscal measures under the guise of asset-based welfare. Secondly, related to this, and as argued above, financial inclusion creates new risks at the individual level which cannot be meaningfully mitigated by individuals themselves. Tolerating risk therefore becomes a defining aspect of everyday life.

Thirdly, financialisation can be associated not only with the weakening of social citizenship, but also the right of citizens to participate in political life. Paradoxically, although the recapitalisation of UK banks in the wake of the financial crisis in 2008 may, on the one hand, be seen as consistent with our rights, as citizens, to protection by the state from certain economic risks, it is undoubtedly the case that the Labour government's actions in this regard were undertaken without democratic oversight. There is an important question about whether financialisation, insofar as it ensures the economy's dependence on the financial sector, is impervious to democracy. Interestingly, in the citizenship education programme introduced by New Labour, while issues around personal finances are part of the curriculum for pupils aged between five and eleven, when the emphasis is on young citizens developing 'life skills', finance is conspicuous by its absence from the curriculum for older pupils, when the emphasis turns to political participation and critical thinking. The implication is that financialisation is something for citizens to come to terms with, but not challenge through democratic processes (Berry & Serra, 2012; see also Lawrence, 2014).

In practice, it seems unlikely that financialisation can be socialised. Democratic oversight of financial processes would fundamentally contradict financialisation, in that it would invariably subject such processes to evaluation by non-financial criteria. We could instead expect the finance sector to be more stringently regulated, in a technocratic sense, to minimise the threat of collapse (and the dire consequences for society that would follow); of course, such change is already evident to some extent, although the scope of post-crisis regulatory reform has been limited. At the individual level, the state already offers a degree

of *consumer* protection in relation to financial products, generally at the point of sale. Yet a more expansive notion of financial citizenship would surely require it to establish insurance-style guarantees against downside risks. Most bank deposits are of course already fully protected by the state, but there are few signs that such protection would be extended to more complex financial products such as mortgages and pensions. The crucial issue, however, is not whether such changes *should* occur, but rather whether it is conceivable that they might. Essentially, to redraw the boundaries between state and citizens in this fashion would require a transformation of the model of economic growth within which financialisation is a central component. If the financial crisis did not inspire such a transformation, it is hard to imagine it occurring in the foreseeable future; as such, the persistence of the financial inclusion agenda in public policy is indicative of the limited possibilities for citizenship in relation to the neoliberal state.

## **Conclusion**

The implications of financialisation and the financial inclusion agenda for welfare provision and individual well-being have been studied in depth by both political economists and economic geographers. This article has built upon insights from scholarship on financialisation which focuses on economic and spatial change, and that which focuses on cultural and behavioural change, to offer a more thorough exploration of what the pursuit of financial inclusion tells us about the nature and functions of the state. In studying the role of the transformation of welfare provision in inculcating new social norms around well-being and responsibility, the latter literature places the state at the centre of analysis. However, the literature on financialisation and welfare to date has tended to represent the state as an agent for merely transmitting the logic of structural socio-economic change into the realm of individuals' everyday lives. To better understand the nature of the state's role in the process



of financialisation, we need to understand the state as an institution or set of institutional practices. As such, it is the orientation of the state towards an Anglo-liberal or privatised Keynesian growth model which has necessitated the *re*orientation of the relationship between individuals and the state, with concomitant implications for how welfare is conceived of and supported by public authorities, as successive governments' economic strategies have interacted with financialisation in various ways – including facilitating financialisation as a means to delivering economic growth.

It is in this context that efforts to enhance financial participation at the individual level raise profound questions about citizenship. From the early twentieth century onwards, the welfare state offered novel protections to individuals against socio-economic risks, propelled by the notion of social citizenship. But in recent decades, citizenship has become 'responsibilised' as the state inculcates into everyday life the need for greater self-reliance. Financialisation is the economic context, often overlooked, within which this transformation has occurred. The emerging notion of financial citizenship, however, is insufficient to mitigate the threat to a traditional conception of citizenship represented by financialisation, or indeed to offer a cogent conceptual framework for appreciating the state's responsibilities for welfare provision in a financialised society. The right to be included in political life is a definitive aspect of citizenship, yet is not commensurate with a right to participate in the (financialised) economy, if inclusion in this regard is not accompanied by forms of protection against financial risks. This threat of financialisation to citizenship is compounded by the financialisation of the state, and furthermore, the apparent curtailment of the state's willingness to submit efforts to support the financial system – for instance, banking sector recapitalisation – to democratic processes. Crucially, we cannot assume that the meaning and practice of citizenship is isolated from the economic imperatives to which the state is

increasing oriented – the custodians of our citizenship-based duties and entitlements and the purveyors of macroeconomic management are one and the same.

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