Periodizing Neoliberal Development Policy: From Destructive "Roll Back" and Constructive "Roll Out" to Inclusive Neoliberalism

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Introduction

The international development architecture has recently undergone a series of marked transformations, with the promotion of a range of novel principles and policy tools, such as poverty reduction strategy papers (PRSPs), country ownership and development partnerships, and civil society participation. At the same time, the recent worldwide turmoil in financial markets and the attendant state interventions to stabilize financial institutions raise important questions about the shifting contours of the role of the public and private sectors in the economy, and the potential demise of the neoliberal era. Given these recent and on-going transformation processes in the neoliberal world order, this paper sets out to periodize neoliberal development policy in order to assess the extent to which the aforementioned transformations and policy changes represent the arrival of a new policy era after neoliberalism (for similar efforts, see Peck and Tickell 2002; Craig an Coterrel 2007; Brenner and Theodore 2002; and Graefe 2006). The paper argues that the current era does not mark the transcendence of neoliberalism by a new policy regime, but rather represents a deepening of (on-going) neoliberalization processes through a shallow re-embedding of markets and the introduction of more inclusively oriented development policies. The transformations of neoliberalism will be interrogated by theoretically building on Peck and Tickell's notions about roll out and roll back neoliberalism (Peck and Tickell 2002) and Craig and Porter's concept of inclusive neoliberalism (Craig and Porter 2005, see also Ruckert 2006 and 2007).

The paper begins with a brief discussion of the merits of periodizing neoliberalism. In doing so, it engages in a general discussion of the most important characteristics of the neoliberal social formation and attempts to provide a comprehensive definition of neoliberalism. This will be central to developing the overall argument and addressing the questions raised above about the demise of neoliberalism as any attempt to do so will depend on how we conceptualize neoliberalism. I will suggest that neoliberalism has always been much more than the attempt to reduce the size of the state and to promote the use of markets in the allocation of resources. To put it differently, neoliberalism has from the very beginning been a project of social engineering in which the state has continuously played a decisive role in the restructuring of social relations. However, under neoliberalism the state has taken on a novel form that some have referred to as the 'post-national competition state' (Hirsch 1995; and Jessop 2001). Next I will briefly identify the distinct phases of neoliberal development policy. Here, the paper first describes the destructive "roll-back" neoliberal development policies of the 1980s, characterized mainly by selective state retrenchment from the economy and early attempts at liberalization and privatization. It then turns to the 1990s which is the period of deepened deregulation and privatization with simultaneous institutional re-embedding of neoliberalism and has been adequately described as the "roll out" phase of the neoliberal project (Peck and Tickell 2002). The remainder of the paper will substantively focus on the current "reconstructive" phase of inclusive neoliberalism (2000-2009) in which the social foundations for neoliberalism are rebuilt through the promotion of more inclusively oriented development policies by way of subsidizing both producers and consumers of essential social services, and renewed attempts of institutional re-embedding of markets, despite the abject failure of the neoliberal project and growing opposition to the implementation of neoliberal policies in developing countries.

Neoliberalism: What's in a Word and Where are We in Time?

The term neoliberalism has been subject to intense academic debates over the last decades, and there is little (if any) agreement over how best to define neoliberalism. For some, the brunt of neoliberalism can be captured by what has been described as the "ten neoliberal commandments" (Hawkesworth 2009), *i.e.* Williamson infamous list of ten economic policy priorities, better known as the Washington Consensus (Williamson 1990). These ten neoliberal commandments include, most prominently, fiscal discipline, trade and financial liberalization, tax reform, privatization, deregulation, and reorientation of public expenditure. For others, however, this exclusive focus on economic policy priorities is deeply flawed as neoliberalism must be characterized by much more than a simple set of economic policies. For David Harvey, for example, neoliberalism must rather be understood as a comprehensive "theory of political and economic practices that proposes that human well-being can best be advanced by liberating individual and entrepreneurial freedoms and skills within a framework characterized by strong property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices […]" (Harvey 2005: 2).

While Harvey acknowledges the role of the state in the neoliberal project to create "free markets", and hence includes a political dimension often absent in mainstream definitions of neoliberalism, his definition nevertheless disregards what some consider to be a key characteristic of the neoliberal era, the financialization of the regime of accumulation and the underpinning of neoliberalism by financial capital (Dumenil and Levy 2005). This financialization is linked to the ascendancy of financial capital as the hegemonic fraction of capital in the aftermath of the deregulation of the financial sector (Cox 1987), and was facilitated by specific state (in)actions during the 1970s (Strange 1982). The power of global mobile capital, especially its ability to move freely and instantly across space (in contradistinction to largely immobile labor), has since the early 1980s been central to both neoliberal policy imaginations and to the restructuring of labor and product markets (Sassen 1996). This capital mobility has contributed to a significant increase in power resources at the disposal of various financial agents and actors closely connected to finance capital, such as domestically rating agencies, independent central banks, and powerful investment houses, and internationally the international financial institutions (Craig and Cotterel 2007: 502).

Another central aspect of the neoliberal paradigm has been the commodification of services and resources previously delivered and controlled by the government. David

Harvey has called this process “accumulation by dispossession”, *i.e*. the appropriation of public assets by private actors though privatization and commodification processes. In Marxist terminology, this form of accumulation has been described as primitive accumulation, and has been an on-going characteristic of capitalist accumulation processes. As I will discuss later in the paper, accumulation by dispossession remains a key element of late neoliberalism, but is increasingly complemented by policies and programs that are representative of what I have called elsewhere “accumulation by subsidization” (Ruckert 2007), the subsidization of the consumption of the poor after essential social services have been privatized. The consumption subsidies to the poor through conditional cash transfers (CCTs) are part and parcel of the turn towards more inclusively oriented neoliberal development policies in the current world development order.

Another key characteristic of the neoliberal era is the transformation of the state from the National Keynesian Welfare State (NKWS) to the Postnational Schumpeterian Competiton State (PSCS) (Jessop 1993). Contrary to neoliberal ideology, this PSCS remains deeply involved in the economy and society as neoliberalism has always been a program of comprehensive institutional transformation in which the state seeks to embed market relationships as the predominant form of collective social organization. As Marcus Taylor poignantly notes, neoliberalism “involves a wide-reaching and on-going reconstruction of the institutional basis of society [by the state] in an attempt to fashion a depoliticized, individualistic and market-driven society that, according to the predictions of neoclassical theory, would be rational, harmonious, and ultimately ensure shared prosperity (Taylor 2009:22). However, state interventions into the economy have drastically changed in shape and form, from protecting individuals from the perils of the market and limiting corporate power during the Keynesian era to subsidizing corporations, promoting competitiveness of national economies, and undermining the power of labor during the neoliberal era (Hirsch 2002).

Finally, the emergence of the neoliberal financialized regime of accumulation also went hand in hand with the internationalization of the state and the growing importance of international institutions, especially in developing countries. It is however important to emphasize that these twin developments are less persistently observable phenomena than deeply ingrained structural, and possibly reversible, *tendencies* of the neoliberal world order (Robinson 2004). The internationalization of the state refers to the process by which nation states increasingly prioritize the interests of transnational (financial) capital over domestic (industrial) capital and social groupings (Baker 1999: 81). This is manifested in the deregulation of financial markets and the opening up of national economies to international competition. This process expresses itself institutionally in the growing importance of those state agencies that are linked to (and often directly represent) the interests of transnational capital, such as ministries of finance and central banks, which in many countries operate independently of mechanisms of democratic control. By contrast, ministries which had been built up in the context of national corporatism, such as labor ministries, ministries of industry, and planning offices, increasingly become subordinated to the central organs of international economic policy. The internationalization of the state also finds expression in the growing importance of international institutions and other forms of international cooperation and decision-making, which in IPE have often been referred to as ‘governance without government’

(Rosenau 1990). Cox has called this form of governance in the world economy *nebuleuse*, a loose system of global governance comprising unofficial elite fora, such as the Trilateral Commission, and the World Economic Forum; official institutions, such as the IMF , the World Trade Organization (WTO), and the World Bank; and central state agencies, notably treasuries and central banks (Cox 2002). This process has led to the growing importance of democratically unaccountable international institutions and private authorities, such as rating agencies, in the governance of the world economy (*e.g.* Sinclair 2000).

Despite these clearly identifiable elements and trends of the neoliberal period, a host of commentators have convincingly argued that our understanding of neoliberalism must nevertheless include important differences *within* the neoliberal project, both differences in time and place. Differences in place have been discussed in terms of 'the varieties of neoliberalism' (Cerny 2004) and the locally idiosyncratic ways in which different neoliberal practices become embedded (Dezlay and Garth 2002; Larner and Craig 2000). Differences in time have recently become the subject of intense debate amongst regulation theorists which have addressed the question of how we might best conceive of the temporally distinct phases of neoliberalism (e.g. Brenner and Theodore 2002, also Craig and Cotterell 2007).

While any definition of neoliberalism is open to contestation, what is certain is that the neoliberal turn emerged in the early 1980s in response to the crisis of the Keynesian welfare state in countries where conservative governments ascended to power and started to reshape the relationship between the state and the market. Through their policy choices, conservative governments effectively undermined the negotiating power of labor and enhanced a pro-business agenda, in an effort to enhance the profitability of capital and redistribute income from the bottom to the top. In the field of development, this turn to neoclassical economics had deep implications and ultimately led to the emergence of the phase of destructive neoliberal development policy to which our attention will now turn.

From Roll-back to Roll-out Neoliberal Development Policy

During the roll back period of neoliberalism from 1980 until the early 1990s, the World Bank and the IMF proceeded with a strong sense of certainty in promoting a particular set of development policies, which came to be known as the Washington Consensus (Pender 2001: 398; Williamson 1990). This policy package emerged in the early 1980s as an initially *ad hoc* answer to the experience of some Latin American countries, which were struggling to overcome the debt crisis and to solve their balance of payment problems. However, this same policy package soon became institutionalized as the Washington Consensus, dominating much of development theory and practice during the 1980s and early 1990s. John Williamson, former advisor to the IMF and former chief economist of the World Bank, summarizes the Washington Consensus as "macroeconomic prudence, outward orientation, and domestic liberalization" (Williamson 1990: 1). However, a more comprehensive definition of the Washington Consensus must incorporate other key aspects, such as minimal government intervention and the elimination of government subsidies, fiscal and monetary austerity, freeing of interest rates, trade liberalization, privatization of state-owned businesses, well-defined property rights and independent central banks (Williamson 1990).

After its formulation, the Washington Consensus came to rapidly dominate the policy stance of the World Bank and the IMF, and other important international development institutions. In fact, the IFIs were heavily involved in developing and propagating this neoliberal worldview in the developing world. The appointment of Tom Clausen as the president of the World Bank in 1981 was instrumental to the ascendance of the neoliberal paradigm inside the Bank as Clausen himself was an ex-banker and a convinced proponent of the new neoliberal doctrine of limited government intervention and the virtues of 'self-regulating' free markets. Another marker was the appointment of Anne Kruger, a principal promoter of the New Political Economy, to the post of chief economist at the Bank. At the same time, economists trained in the 'new development economics' and the associated New Political Economy at elite institutions in the US increasingly outnumbered technical specialists inside the Bank administering traditional development projects (Rapley 2002: 51ff.).

In accordance with the Washington Consensus and its neoliberal agenda, the Bank and the Fund prescribed macroeconomic stabilization and structural adjustment policies to the developing world, policies which were initially conceived as a cure to the debt crisis that broke out in the early 1980s in Latin America and rapidly spread to other parts of the developing world. SAPs became the standard policy package prescribed to all developing countries during the 1980s and 1990s, no matter what fiscal situation developing countries would find themselves in (Mosley *et al* 1995: 27). Hence, the IFIs were important agents in the early attempts of creating a neoliberal world development order through the coercive linking of concessional finance to the implementation of roll back neoliberal policies. Structural adjustment policies entered the policy making realm in the early 1980s slowly replacing project-related development cooperation. In the Washington Consensus era, most public and even some private funding was made conditional upon the implementation of often far-reaching economic policy reforms which heavily constrained the capacity of developing countries to experiment with their own (unorthodox) development models (Pender 2001: 399).

The World Bank and the IMF had two particular goals in mind when devising SAPs: First, at the macroeconomic level, stabilization policies were supposed to guarantee short-run stabilization of inflation, balance of payments, and budget deficits. Stabilization policy prescriptions were predominantly overseen by the IMF and included budgetary austerity to control deficits, currency devaluation, and price liberalizations. Second, the more longer-term oriented goal of SAPs at the microeconomic level was to achieve long-term efficiency gains, through the allocation of resources in accordance with (global) market signals (Bienefeld 2000: 534) and the liberation of market forces from the straight jacket of government controls (Engel 2006: 7). Key policies promoted at the micro-economic level included trade and financial liberalization, privatizations of state-owned enterprises, tax reform and labor market flexibilization. This period of neoliberal development policy conforms to what Peck and Tickell have called the roll back phase of neoliberalism.

The first significant shift in neoliberal development policy occurred in the early 1990s when the shallow neoliberalism of the 1980s encountered its institutional and political limits and when evidence of the perverse social consequences of the market-enabling agenda of roll back neoliberalism became increasingly difficult to contest (Peck and Tickell 2002: 388). At the same time, opposition to structural adjustment policies meant that governments in the developing world had to legitimate SAPs through adding ameliorative elements to SAPs, such as Social Investment Funds. This does not mean however that the macroeconomic policies of the roll back phase suddenly disappeared from view rather that it became increasingly clear that the neoliberal project required strong institutional support. In this period, neoliberal development policy no longer was solely concerned with the promotion and extension of markets and the rolling back of the state, but also with engineering the institutional and social prerequisites for a successful market economy. This was to be achieved under the mantle of "second generation" market reforms that focused on building more effective social institutions to mediate the conflicts engendered by neoliberal restructuring processes and attempted to give neoliberalism a "human face" (Pastor and Wise 1999). Under the influence of the New Institutional Economics and Information-Theoretic Economics, popularized by Joe Stiglitz while he was chief economist at the World Bank, neoliberalism turned towards the interventionist state to construct the regulatory environment necessary for the successful implementation of market-enabling reforms and mitigate market imperfections that might undermine the efficiency of market outcomes. In this context, even the World Bank began to acknowledge the important role that the state must play in the development process and dedicated a whole World Development Report to the issue (World Bank 1997).

The principal development policies advocated in the roll out neoliberal phase in this period were: market-completing measures, i.e. reforms that buttress the market or correct for instances of market failure, such as antitrust legislation, competition policy, labor market deregulation, etc; bridging the distributional gap policies, polices to cushion the negative social impacts of neoliberal reforms, such as the rolling out of social investment funds; and good governance reforms, such as the creation of a more professional (and less corrupt) civil service, judicial reform, and much broader property rights guarantees through for example land titling initiatives, and overall sounder institutional rules in the area of finance, education, justice and public administration (Pastor and Wise 1999). However, even the roll out neoliberal policies of the 1990s were unable to arrest or reverse the deepening of poverty in the developing world, and to re-legitimate the development interventions of the Bank and the Fund. In fact, towards the end of the Millennium the IFIs were faced with a deep legitimacy crisis and their policies continued to be heavily criticized, not only by counter-hegemonic social forces within civil society, but also by governments in the developing world. In response, the IFIs repositioned themselves and introduced an allegedly new development approach that was meant to address most of the shortcomings of neoliberal adjustment policies. Our attention will now turn to the arrival of this third phase of inclusive neoliberal development policy.

Inclusive Neoliberalism in the 2000s

The decade of the 2000s has been characterized by the introduction of a host of development policy initiatives that have raised significant questions in the development community about the extent to which we are currently facing the transcendence of the neoliberal paradigm, and what might come after the demise of neoliberalism (e.g. Craig and Porter 2005; Macdonald and Ruckert 2009). A key part of the transformation of the world development order has been the introduction of the Poverty Reduction Strategy

Paper (PRSP) approach. The PRSP approach surfaced in the late 1990s as part of the larger shift from the Washington to the Post-Washington Consensus, and in combination with the Comprehensive Development Framework (CDF), first propagated by the World Bank under the leadership of James Wolfensohn. The PRSP approach provides an ideal litmus test to evaluate the extent to which neoliberal policy has recently deviated from previous forms of roll back and roll out neoliberalism.

The following discussion focuses on the similarities and differences between previous generations of neoliberal policy and the current phase of inclusive neoliberalism, though interrogating *the PRSP Sourcebook*, essentially a guide for developing countries on how to effectively elaborate poverty reduction strategies, and by selectively drawing on Honduras' and Nicaragua's experience with the PRSP approach. Special emphasis will be placed on how inclusive neoliberal policies attempt to consolidate neoliberalism through the creation of new institutions and novel governance arrangements (such as public-private partnerships, and more recently public-civil society partnerships in the delivery of social services) and through the rolling out of new anti-poverty programs, especially conditional cash transfers and other targeted social programs.

In the *PRSP Sourcebook*, the IFIs lay out in great detail what they consider constitutes "sound macroeconomic policy" which should be universally applied in all developing countries through PRSPs. At the heart of the macroeconomic policies promoted by the IFIs in the *Sourcebook* are the well-known suspects of the Washington Consensus, especially trade and financial liberalization, privatization, fiscal prudence and low inflation, civil service reform and deregulation of labor markets (Klugman 2002b, 4). While neoliberal policies of privatization and liberalization generally remain privileged in the *Sourcebook*, the Bank and the Fund nevertheless more openly acknowledge the significant negative side-effects of these policies than in the past, and articulate the need to compensate more effectively those negatively affected by neoliberal adjustments. For example, in its discussion of trade liberalization, the Bank maintains that "complementary policies – particularly the provision of an effective social safety net – are therefore necessary to minimize adjustment costs and to help make trade reform work for the poor." (Klugman 2002b: 33). Additionally, sequencing of trade liberalization is perceived as an alternative to speedy across-the-board liberalization, as it will allow market participants to slowly adapt to their new market-driven environment (*ibid.*).

Similarly, while the Bank might have taken a more poverty-sensitive stance on privatization, it does not break with the neoliberal logic of commodification but suggests that developing countries should subsidize those that cannot become "normal customers" and effectively participate in market transactions, after public utilities have been privatized (Klugman 2002b). What is more, all proceeds from privatization processes are expected to be invested in poverty reduction programs and conditional cash transfers to the poor. These pro-poor elements could be understood as material incentives so as to make neoliberal restructuring processes less controversial and build local support for IFI-sponsored privatizations (Vetterlein 2007). However, the limits to social compensation are set by the overall expenditure framework which, in practice, continues to be largely dictated by the IMF and remains to be in line with monetarist thinking, thus strictly limiting the extent to which governments can freely spend on social compensation efforts (Gottschalk 2005). Therefore, a central contradiction of inclusive neoliberal policy arguably lies in the incompatibility of neoliberal macroeconomic and poverty-sensitive social policy (McKinley 2005), an issue that will resurface in the discussion of Nicaragua's and Honduras' experience with the PRSP process.

Nicaragua's and Honduras' PRSP as Examples for Inclusive Neoliberal Policy
In the realm of macroeconomic policy, there is little discontinuity with previous adjustment policies in both Nicaragua and Honduras as both national PRSPs contain all the elements of sound fiscal and macroeconomic management that had been promoted by the IFIs in the Washington Consensus era, including low inflation rates, restrictive budgets and exorbitant interest rates (Government of Nicaragua 2001: 17, Government of Honduras 2001: 23). In fact, a 'sound' (*i.e.* neoliberal) macroeconomic framework and satisfactory performance under the Poverty Reduction Growth Facility (PRGF), the IMF's equivalent to the Bank's PRSP, represent preconditions for being granted debt relief under the Heavily Indebted Poor Country (HIPC) initiative in both Nicaragua and Honduras. What is more, conditions attached to IFI finance have actually proliferated since the PRSP process started, despite the IFIs' claims of country ownership of policies associated with the PRSP. The Poverty Reduction Support Credit (PRSC) granted to Nicaragua after the approval of its PRSP numbers more than 140 conditions (Dijkstra 2005: 457), while the PRGF agreement with the IMF also contains an endless list of reform proposals. Similarly, Honduras has numerous conditions attached to its own lending arrangements with both the World Bank and the IMF.

Some of these conditions include highly contested policies, such as in the case of Nicaragua the privatization of the public pension system, the further liberalization of trade, and the privatization of profitable utility providers, in particular in the areas of telecommunications and electricity, with the most prominent divestments expected to be that of ENITEL, the national telecommunications provider, and ENEL, the main energy producer and distributor (Government of Nicaragua 2000: 87). What is more, the government is expected "to offer to investors long-term concessions for regional water and sewerage systems in Leon, Chinandega, Matagalpa, and Jinotega" (IMF and IDA 2000: 15), and the PRSP stipulates water and sewage rates be adjusted upwards until marginal costs are fully recovered to make the water sector attractive for private investors (Government of Nicaragua 2001; World Bank 2003). Finally, the PRSP promotes the partial privatization of health care and the introduction of a two-tier system, which are expected to lead to efficiency gains by granting more autonomy to hospitals and clinics, by leaving "the provision of health services to the more fortunate Nicaraguans to the private sector" (Government of Nicaragua 2001: 31).

Similarly in Honduras, the PRSP notes that the government aims to promote greater participation of the private sector in the provision of public services (Government of Honduras 2001: iv). This is in line with expectations from the IMF articulated in the Poverty Reduction Growth Facility, the IMF's counterpart to the PRSP, and the decision point document of the HIPC initiative where a number of performance criteria are linked to the privatization of state utilities.[1] These include the privatization of

[1] After qualifying for the HIPC initiative, all countries first reach what is called decision point, at which time 'trigger conditions' for being granted debt relief are established. After three years of compliance with World Bank and IMF programs, observance of all trigger conditions, and the implementation of a Poverty

telecommunication (Hondutel), the privatization of electricity distribution (ENEE), the privatization of water and sewer management, and the privatization of port facilities and the issuance of airport concessions (IMF and IDA 2000: 10). These privatizations are politically very sensitive as both Congress and CSOs have in the past raised concerns regarding the social impacts of them. In fact, most NGOs argue that poverty and social impact analyses (SIAs) should be conducted prior to any further privatization (Interview Interforos, Tegucigalpa, 21.07.2005). While the privatization of state utilities has been promoted largely unsuccessfully in the past due to popular resistance and the Congress' hesitant approach to privatizations, directly conditioning debt relief upon a number of state utility privatizations has meant that several privatization processes were finally completed during the implementation of the PRSP. Various politicians have publicly noted that there hands have been tied as Honduras desperately needed access to debt relief funds and hence had to comply with IFI demands regarding privatization (Interview UNAT, Tegucigalpa, 25.07.2005). Finally, further trade liberalization and deep cuts to government spending are also reminiscent of the roll back era of neoliberal development policy and demonstrate that the macroeconomic core has deviated little from previous periods.

Most of these classic neoliberal policy elements build on earlier reform processes that had stalled under intense opposition to market expansion by counter-hegemonic social forces in the neoliberal roll out period, in particular in the area of the privatization of public utilities and health care. There is thus much continuity between earlier SAPs and the PRSP approach as the Bank seems to hold on to most aspects of the neoliberal development model, and pushes through (with the 'carrot' of debt relief) market-enabling reforms that had not been fully implemented in the past. Yet, as suggested earlier, there is important discontinuity with the roll back and roll out phase of neoliberal policy in the realm of social policy, and in terms of engaging citizens through direct participation in the elaboration of social policy.

Social Policy Discontinuity and the Inclusive Turn in Development Policy

With the introduction of the PRSP approach, the World Bank has started to put pressure on developing countries to augment poverty-related spending, using resources freed up in debt relief initiatives. Rather surprisingly, protection (and increase over time) of poverty-related spending and the expansion of social service coverage to the poor are themselves conditions attached to Nicaragua's and Honduras' Poverty Reduction Support Credit (PRSC), and as such a precondition of further collaboration with the IFIs and all access to concessional finance (Dijkstra 2005: 456). At the same time, the Bank directly funds what are perceived to be innovative social programs, especially conditional cash transfers (CCTs). While these novel social programs might help to ameliorate the situation of the poor (albeit in a severely limited and contradictory way), they must also be considered to be part of a hegemony building exercise in which classic neoliberal ideas of commodification are married with socially progressive transfer payments and consumption subsidies, in order to prop up support for highly contested policies and attenuate the profound crisis of social reproduction associated with to the marketization agenda of the roll back and roll out phase of neoliberalism.

Reduction Strategy Paper (PRSP), countries reach the decision point. This is the point when all HIPC debt is irrevocably cancelled.

Conditional Cash Transfers (CCTs) currently represent the Bank's favorite delivery mechanism of social services and are considered to be the panacea to poverty reduction efforts, and are the most characteristic weapon of inclusive neoliberalism in the fight against poverty. Social investments through CCTs focus on the human capital formation of children and are designed to promote their productive capacities (Luccisano 2006: 59). CCTs are popular with the World Bank as they enable governments to combine the market-oriented provision of social services with subsidies to the poor, and thus to perpetuate the downloading of responsibility for social reproduction from the state to the private sector and household, while contributing to improvements in the social track record of neoliberal reforms. Moreover, CCTs imply an active social policy that does not envision social protection from the market, but rather understands the goal of social policy to lie in integrating the poor with increased capabilities into market structures (Jenson and Saint-Martin 2003: 83), and hence is fully compatible with the Bank's overall neoliberal vision.

Conforming to the World Bank's predilection for the targeted provision of social services, a key pillar of Nicaragua's and Honduras' PRSP are conditional cash transfer programs. In Nicaragua, the *Red de la Protección Social* (RPS), which was first launched in 2005, offers social assistance in an attempt to improve the well-being of the extremely poor, while stimulating the accumulation of the 'human capital' of impoverished children. The PRS is geared towards families living in extreme poverty, and provides means-tested cash transfers to the mothers of each chosen household. The cash transfer consists of two main components: the *Bono Alimentario*, a 'food security transfer' paid out on a bimonthly basis to all participating households, worth US$ 224 per annum; and the *Bono Escolar*, the school attendance transfer, paid out on a bimonthly basis to those households with children aged 7-13 who have not yet completed fourth grade of primary school, worth US$ 112 per annum. The attendance school transfer also carries an additional teacher transfer (US$ 60 per annum), providing an incentive for teachers to monitor and report the absence of children from school, and a school supplies transfer (US$ 21 per annum), given at the beginning of the school year. Thus, the maximum support through the SPN amounts to US$ 362 per annum and per household (IFPRI 2004: 8).

In Honduras, The *Programa de Asignación Familiar* (PRAF), or Family Assistance Program, represents a conditional cash transfer (CCT) program that was initiated in 1990, as a social safety net to compensate the poor for lost purchasing power and to ease the burden of macroeconomic adjustments, with financial support from USAID and the Interamerican Development Bank (IDB 1998: 1). However, the PRAF was restructured in 1998, and with the introduction of the PRSP, it was renamed PRAF-IDB Phase II. The program was expected to be significantly expanded through the PRSP process using debt relief funds in an effort to better address the educational and health needs of poor households (IMF and IDA 2000a: 14). The stated goal of the program is "to increase the accumulation of human capital among children of the very poorest families and thereby help to break the cycle of poverty" (IDB 1998: 1). The PRAF contains a number of cash transfers in the area of education and health to families living in extreme poverty, and similarly to the program inNicaragua aims to enhance the human capital of the extremely poor so as to better integrate them into capitalist labor markets.

The money transfers associated with Nicaragua's and Honduras' PRSP are, however, not unconditional, and numerous strings are attached to the participation in the program, representing new disciplining and responsibilizing tools at the disposal of the World Bank. To qualify for CCTs, participating households have to commit to sending their children to school on a daily basis and to visiting health centers regularly so that children receive vaccinations, clearly a direct attempt to improve the social indicators linked to the MDGs. Moreover, households must agree to participate in educational sessions on a wide range of issues, including nutrition, sexual behavior, reproductive health, family hygiene, and child care, in exchange for monetary rewards (IFPRI 2004). These interferences into poor people's lives could be seen as new forms of disciplining and policing the poor, adding novel "micropolitical disciplining tools" to the nexus of power and control of an ever more socially intrusive form of neoliberalism (Mahon and Macdonald 2009).

All in all, the targeted social safety net that is emerging in both Nicaragua and Honduras under the PRSP is a rather limited and fragmented response to the social dislocations associated with neoliberal restructuring, as it currently reaches less than 5 per cent of the extremely poor, and hence represents "a drop in the ocean of poverty", and may better be understood as an instrument of political crisis management than a serious social policy (Jayasuriya 2006: 82). What is more, the targeted and conditional inclusion of the poor directly undermines rights-based approaches to welfare, as "welfarism is transformed from claims that arise out of the political standing of actors (individuals or states) to claims that are contingent on the prior and continuing performance of certain obligations" (*Ibid*: 84). Finally, while CCTs directly receive funding from the World Bank, the management of CCTs is shared between the state, transnational development agents, the market, and the third sector, with public civil society partnerships becoming increasingly common (Luccisano 2006). Thus, CCTs continue to shift responsibility for social reproduction from the state to the non-state sector, and increasingly integrate counter-hegemonic agents, such as local NGOs, into the delivery of social services. In Nicaragua, for example, various small local and larger international NGOs are directly involved in delivering health care through Nicaragua's RPS, arguably in an effort to co-opt these counter-hegemonic actors into a slightly modified neoliberal framework.

Finally, a central element of the era of inclusive neoliberalism is the inclusion of the voices of civil society into the policy making process, and various forms of consensual participation. In both Nicaragua and Honduras, governments were required to hold a series of workshops on the content of PRSPs and to consult NGOs on the anti-poverty programs. At the same time, NGOs are expected to oversee the implementation of the PRSP and to hold the government accountable to ensure that debt relief funds actually end up in the hands of the poor. However, these participation exercises have largely been meaningless as controversial issues were kept of the agenda, such as the privatization of social services, and as any controversial policy suggestion made by NGOs, such as land redistribution or the allocation of subsidized credit, were simply disregarded (Fraser 2005; Mouelhi and Ruckert 2007).

To sum up, there are both a number of substantial similarities but also important discontinuities between orthodox neoliberal policies promoted through SAPs during the era of roll out and roll back neoliberal policy and the inclusive neoliberal policy mix emerging under the Post-Washington Consensus that is articulated in the *Sourcebook* and can be found in Nicaragua's and Honduras' PRSP. Most notably, both policy regimes promote "sound macroeconomic policies", espouse a belief in market- and export-driven development, best expressed in the push for further liberalization, deregulation, and privatization, and overall support market solutions to the development *problematique*. At the same time, the Post-Washington Consensus remains deeply conservative in fiscal and monetary matters. Yet, while many IFI critics have questioned the extent to which the shift from SAPs to PRSPs is real, and not merely rhetorical, it is also clear that the PRSP approach has implied a minor shift in the focus of neoliberal development policy from the economic to the social sphere, by acknowledging that poverty reduction cannot be achieved without sustained government interventions and more active social policy.

Conclusion

As historians have long argued, all attempts to periodize history into clearly identifiable distinct phases are inherently flawed and subjective (Braudel 1953). Yet periodization in relation to neoliberalism promises to analytically sharpen our understanding of neoliberal development policy, especially if we acknowledge that periodization efforts operate at a high level of abstraction (Craig and Coterell 2007: 510). This paper has argued that neoliberal development policy has gone through three distinct phases since the initial turn towards neoliberalism in the early 1980s. Neoliberalism has mutated from its initial form of being primarily an economic project of market promotion and state retrenchment, towards becoming an ever more invasive project of social engineering and social intrusion. In the current phase of inclusive neoliberalism, development policy has become largely occupied with (re)constructing the social fabric of society and seeking legitimating partnerships with civil society actors, while providing material incentives to the poor through targeted social safety nets, with the ultimate goal of integrating the poor into capitalist labor markets with enhanced human capital. In the bank's mind set, this will allow the poor to work their way out of poverty. In Polanyian terms, the current era of inclusive neoliberalism could be understood as an early rumbling of the 'double movement', the shallow re-embedding of the market to guarantee the survival of wider market reforms (Craig and Porter 2006).

Yet, the macroeconomic core of the Washington Consensus continues to be celebrated by the IFIs and remains largely intact (e.g. World Bank 2009), even as the global financial crisis indicates that there are serious problems with the deregulatory mindset of neoliberal pundits. The core assumptions of neoliberal development thinking colonize most PRSPs, and most PRSPs do not violate the core components of the neoliberal orthodoxy, such as maintaining low inflation rates, privatizing essential social services, and cutting government spending (Gottschalk 2005). Yet, the attempt to ameliorate the negative social consequences of neoliberal reforms have indubitably translated into a mildly progressive turn that is most visible in the promotion of social safety nets and the provision of (currently though still very limited) cash subsidies to the poor through conditional cash transfer (CCT) programs, and the intrusion of IFI conditionalities into the social realm.[2] At the same time, the Heavily Indebted Poor Country (HIPC) debt relief initiative requires (under the banner of "aid additionality") that all resources freed up in developing countries through debt relief must be spent on social service delivery to the poor and poverty reduction programs, which must be

[2] For a cogent feminist critique of CCTs in this journal, see Luccisano 2006.

additional to pre-existing social programs.[3] This turn in IFI development strategy can be conceptualized as a move towards inclusive neoliberalism, defined as the grafting of a positive liberal emphasis on empowerment and participation onto little modified neoliberal macroeconomic policies (Meltzer 2009: 102), and creating a new policy mix that allows neoliberal reforms to persist by way of a shallow re-embedding of markets through the promotion of greater citizenship participation and social inclusion through consumption subsidies (Craig and Porter 2006: 12). To what extent, this re-embedding exercise will succeed remains to be seen, but it seems unlikely that the contradictions inherent to the neoliberal project can be overcome through the recent turn towards more inclusively oriented development policies.

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[3] The HIPC initiative is operationally linked to the PRSP process as countries can only qualify for debt relief once a PRSP has been presented to the IFIs and substantial progress has been made on implementing the PRSP.

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