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THE COLLATERALIZATION OF SOCIAL POLICY BY FINANCIAL MARKETS IN THE GLOBAL SOUTH[1]

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Introduction

Under the aegis of financialization, the forms, content, and objectives of social policy have been reshaped, and so has social policy's complementarity with the accumulation regime now dominated by finance.

Fine (2014) remarks that financialization has exerted a profound influence on social policy, especially as it has subverted and inserted itself into public forms of economic and social welfare provision. As a consequence, consumption patterns have been radically reframed in favor of market forms of provision. Schelkle goes a step further, arguing that "the market-creating role of social policy goes beyond the exclusive identification with social policy with redistribution of risks or resources" (2012: 5). Social policy may underpin and even create financial markets, particularly mass markets for consumer credit, mortgages and pensions. In examining how financial markets have dramatically altered the conventional landscape of derivatives and securitization directly affecting households, henceforth seen as the asset base of globally traded asset-based securities, Bryan and Rafferty conclude that "increasingly, the search for yield may come to drive social policy" (2014: 898).

Along the same lines, Leyshon and Thrift (2007: 98) had already warned that the dynamics of the securitization process tend to "identify almost anything that might provide a stable source of income," underscoring the link between stable income sources and financial speculation. As they note, the financial system, to survive, "must continuously prospect for new asset seams that can be turned into collateral" through novel strategies of capitalization.

The transformation of social policy into collateral reflects the breadth logic of financialized capitalism, which converts cash transfers, pensions, and other monetary schemes – sources of regular income streams, that is – into assets placed at the disposal of the financial sector. They are then used to service debt and generate new income streams.

In this process, modern finance has upended the logic of access to rights. Social policy in the form of entitlements – originally conceived of as a mechanism for decommodification – has been increasingly called upon to serve as collateral to access financial markets. This same process

ultimately takes entitlements and transforms them from rights into assets. It follows, then, that reforming social policy is at the center of the work of finance in this moment. I argue that through certain social policies – especially cash transfers paid by the state – the financial sector no longer has to rely on the requirement of liquid assets to make offers to low-income groups and the poor. In this workaround, the state both exempts cash transfer recipients from posting collateral and provides the very collateral that is a precondition for the expansion of financial markets.

This chapter will address how the Global South, with its dearth of strong social policy institutions, has been drawn into this process, with a special focus on Brazil and South Africa.

Taking Brazil and South Africa as examples, this chapter analyzes how various forms of cash transfers are used to expand consumer credit and other lines of credit. Society's most vulnerable are made into sources of profit as a result, reinforcing the so-called welfare-credit link. The result is a phenomenon of unprecedented scope in the developing world, the process by which low-income households have accrued astonishing levels of debt, alongside the constant uptick in sources of welfare provided through multiple links to the financial sector.

The Context and the Facts

What do Brazil, South Africa, Argentina, Tanzania, Mexico, Burkina Faso, and several countries of the Middle East and South Asia have in common, out of all those that make up what is now labeled the Global South? All of them, in recent years, have adopted anti-poverty cash transfer programs. In many cases, those programs became the backbone of incipient, fragile social protection mechanisms in places where such systems were either deficient or nonexistent.

A recent World Bank report on the topic – *The State of Social Safety Nets 2018* – can give a sense of the swift advance of the various forms of welfare transfers in the 2000s and the coverage they attained as they became flagship programs. Under the category of welfare transfers, the World Bank includes two forms of support: conditional and non-conditional monetary transfers and social pensions fall under one set, while another includes some in-kind transfers such as food and school feeding schemes, along with fee waivers and targeted subsidies (World Bank 2018a: 6). This being said, the bulk of these welfare transfers is monetary and does not go toward providing for social services. Likewise, the World Bank uses two methodologies to calculate spending on cash transfers: one of them considers spending as a whole (including all of the forms mentioned above), while another calculates a subset "without health fee waivers." In this chapter, when spending is referred to, it is without health fee waivers. According to the report, developing countries[2] spend, on average, 1.5% of their GDP on these programs whereas OECD countries spend 2.7%. The percentage evidently varies considerably from country to country and across regions, from 7% of GDP in Georgia to 3.5% in Chile and under 1% in countless poorer countries.

Even so, it is notable that certain regions such as Latin America and the Caribbean[3] and Europe and Central Asia have seen a substantive rise in spending on cash-transfer assistance programs. In Latin America and the Caribbean, spending tripled in just over ten years, going from 0.43% of GDP to 1.26% in 2015. Europe and Central Asia saw more modest but still noteworthy growth, from 1.26% in 2003 to 1.63% of GDP in 2014. And across all the regions of the Global South, with the exception of the Middle East and North Africa (45%), monetary transfers make up over 50% of welfare spending. In three regions – Europe and Central Asia, Latin America and the Caribbean, and East Asia and the Pacific – more than half of the population receives some sort of monetary benefit. In the poorest quintile of the distribution, that ratio rises to at least two-thirds. This means that today only a minority (33%) of the world poor live without a monetary safety net.

The average household benefit amount also differs significantly across countries, from PPP US$ 106 received per month in upper-middle income countries to PPP US$ 27 in low-income countries (World Bank 2018a: 25). Low-value benefits may help to mitigate the destitution of the neediest, but are not likely to lift them out of poverty. In any event, whatever the amount of the benefit, the volume of monetary transfers within assistance policies is noteworthy.

The report estimates that 2.5 billion people (one-third of the world's population) are covered by safety net programs in developing and transitional countries. The extent of the group covered by these social minimums, which is poised to grow even further, indicates that we are past the time when poverty was a mark of exclusion. Today, in a globalized, finance-dominated economy, poverty is expressed through specific forms of inclusion.

In order to cope with the effects of the economic crisis in the aftermath of the Great Financial Crisis, the ILO, alongside 19 other multilateral organizations, the World Bank, and the IMF, took the lead in supporting a new format for social protection systems, one that clearly considers the rule of fiscal austerity, for it significantly reduces public spending. The Social Protection Floor for a Fair and Inclusive Globalization (2011) has two well-defined pillars. On one hand, it proposes the adoption of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits for the unemployed, single mothers or the working poor, aimed at ensuring basic income security. On the other, it advocates for the universal – albeit bare-bones – provision of essential services in sectors such as healthcare, education, housing, and water and sanitation, among others, in keeping with each nation's priorities. These floors are not specified, nor is it argued that they should be provided publicly and free of charge. However, their very definition questions the idea of universality, since minimum floors in healthcare and education are unlikely to constitute adequate coverage.

In this new world, the social protection floors paradigm fits like a glove for it offers a conceptual framework that legitimates, guides, and enforces adhesion to a model that permanently reinforces dynamics of social inclusion. Even as it adjusts its own definition of what it means to be universal – no longer working towards the same standards for all, as were once put forth in the 1950 *The Quest for Universality*[4] – the ILO affirms that "the floor's income-led approach can contribute to combating imbalances in the global economy by inducing reductions in precautionary savings and increases in the purchasing power of emerging consumer classes in developing countries, thereby strengthening the national markets" (2011: XXV).

One might ask whether benefits of such low value, however regular, could sufficiently drive the expansion of domestic markets. What is clear is that they fuel the forced march of monetization across the developing world. In regions where income insecurity is chronic, labor precarious, informality pervasive, and income deficits a permanent feature of life for the majority, welfare programs turn out to be more than just a safety net: they are a constant link to the market. In such regions, where the degree of monetization for the poorest is intermittent at best, social policy in the form of cash transfers seeks to prevent a return to a subsistence economy and ensure the permanence and growth of cash flows. That growth is magnified through access to new digital technologies that are facilitating and expanding the practice of carrying out financial transfers and transactions on cell phones. There is no longer any need for the massive investments in infrastructure that characterized the era of industrial capitalism in Western economies – and which made it possible for social policy to provide broad horizontal access to housing, adequate sanitation, transportation, etc.

This brings us to another point in common amongst Global South countries in this new millennium. Despite their immense cultural, economic, social and ethnic heterogeneity, which is also expressed in the ways in which each inserts itself into the global economy, the countries

of peripheral capitalism also have something else in common in the age of mass financialization (Becker et al. 2010; Lavinas Araújo and Bruno 2019): they have been targeted by ambitious, well-orchestrated programs of financial inclusion underwritten by the state.

With financial deregulation running wild despite the Basel Accords (see also Thiemann in this volume) and with the financialization of the global economy having found nothing to halt its progress for all the harm caused to the real economy, a new arsenal of rules and norms is coming into place to make financial inclusion an instrument that seeks to serve social justice, well-being and economic development. Thus, in the wake of the Great Financial Crisis of 2008, we are witness to yet another coordinated assault led by the G20 with the voluntary and immediate adhesion of non-G20 countries, representatives of private banks, financial institutions and other organizations, all bent on redefining the aims of international cooperation towards democratizing finance (Erturk 2007) by way of "universal access to and use of financial services" (Global Partnership for Financial Inclusion 2011: 1). The taskforce also includes multilateral bodies such as the International Monetary Fund and the World Bank, and key institutions, such as the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC). This complex network of institutions under the Global Partnership for Financial Inclusion, with direct participation from the Central Banks of each member country, has met annually since 2011. Its objective is to incentivize, ease the implementation of and refine strategies for financial inclusion, seeking to accelerate the process and closely monitoring the results.

And those results are already tangible. According to a World Bank survey (2018b), the adoption of national strategies of financial inclusion is already a reality throughout the Global South. Across all developing regions surveyed, more than three-quarters of countries declared that, as of 2017, they were either in the process of implementing a number of initiatives along these lines or had already done so. The survey also indicated that among the mechanisms that drove the financial inclusion of low-income households, a state-led strategy prevailed. Encouraging or mandating recipients of government transfers to open a bank account was reported to be the most effective lever by far, kick-starting an integrated strategy between the state and the financial sector. Yet again across all regions, no less than 60% of countries reported having privileged this pathway for banking the "unbanked."

State-encouraged bankarization[5] appears as a powerful mechanism in the constitution of "inclusive financial systems," that mantra of the new millennium. From 2011 to 2017, the share of formal account holders among the poorest 40% increased by half, from 41.3% to 60.5% worldwide (World Bank 2018b).

It would be foolhardy to ignore the obvious correlation between the trend towards the universalization of money transfers, that has come to constitute the bulk of social policy in the developing world, and the sea change in mounting levels of financial inclusion, especially among those who were known as the "unbanked" not so long ago. The universalization of financial inclusion (Soederberg 2014) is an integrated process that runs alongside the universalization of cash transfers, and has become a touchstone of social policy in the age of financialization.

Bridging the Gap: Collateral for Debt

Of the factors inhibiting the process of financial inclusion, poverty – that is, a persistent lack of income – emerges as a decisive element, though it does not stand alone.

In analyzing the effects of one such strategy to boost financial inclusion – in this case, incentivizing people to open savings accounts at private banks in Chile, Malawi, and Uganda – Dupas et

al. (2016) arrive at two separate conclusions. In the two African nations, neither countless financial incentives nor technical assistance during the account opening process was enough to see a marked rise in account rates among the target groups (mostly the rural poor). "The illiquidity of the bank account was a deterrent" (ibid.: 19), given the predominance of subsistence production, underdeveloped monetary circuits, and hence high income volatility.

The results should not come as much of a surprise, given that holding a savings account correlates positively with income. Malawi and Uganda are extremely poor countries whose absolute annual spending on social safety nets per capita ranks among the lowest in the world, close to the median value for the Sub-Saharan region (World Bank 2018b: 25). Moreover, these government transfers are wholly (Malawi) or nearly entirely (Uganda) donor-funded (ibid.: 18), which suggests that it would be difficult to increase their size. This is to say that the sum provided for safety nets is insufficient to incentivize bankarization because it fails to satisfactorily reduce income gaps, nor does it adequately mitigate the extreme privation suffered by the beneficiary population. The article by Dupas and al. does not say, however, if these beneficiary families were establishing other connections to the financial sector through microinsurance or some form of microcredit, which seems quite likely.

In the case of Chile, meanwhile, where bank account ownership is much more widely spread, the authors attributed low adhesion to savings accounts among lower income brackets to the fact that the state's social policy provided monetary benefits such as family subsidies or social pensions, relieving users from the need to save and, likewise, facilitating access to other financial products, such as consumer credit. That is to say, the state ensured liquidity and a regular income stream through social policy, making it possible for government transfer recipients with no savings or other assets to enjoy wide and easy access to credit lines. The authors acknowledged that taking out loans, using credit cards or buying on instalment payments compensates for the lack of savings amidst Chilean low-income beneficiaries of cash transfers. However, this is only possible, in my opinion, because these groups' incorporation into the market is not only permanent but also underwritten by a considerable regular benefit – 770 $PPP per annum, on average (World Bank 2018a) – that comes to serve as collateral. While far above the global average (66 $PPP per annum), these government transfers still do not meet all the basic needs of those living in poverty in middle-income Chile, which means that they must turn to the financial system in order to improve their consumption patterns.

And so it has been that in recent years, in step with models recommended by multilateral agencies, the Global South has seen the spread of a great variety of mechanisms for guaranteeing monetary income (conditional cash transfers; unconditional cash transfers, social pensions; child grants; family subsidies, etc.), provided and administered by the State, where the common denominator is the goal of ensuring regular income streams. These mechanisms have had the effect of reconfiguring social policy, giving it a new scope and an unprecedented function: to serve as collateral (Lavinas 2018) to the use of the financial sector.

The definition of collateral is straightforward enough, and doesn't seem controversial. Collateral is a security pledged for the payment of a loan so as to decrease the risk of default, making the loan less risky. Now, in these times of financialization, its use is broadening in order to enhance financial markets associated to novel financial products (Riles 2011).

When lending to low-income groups whose creditworthiness cannot be assessed directly, financial institutions face an adverse selection problem. To address it they can either apply higher interest rates, which may render the loan unattractive or even prohibitive for the borrower, or require sufficient collateral as appropriate insurance against the high risk-borrower.[6] Neither option is viable for low-income or poor borrowers: they cannot afford paying high interest rates, nor do they have any kind of physical or financial assets to secure a loan.

It is precisely in these contexts – in which credit rationing and lack of creditworthiness hinder one another's expansion – that social policy comes to serve as collateral,[7] reducing risks for both borrowers and lenders. Credit rationing is a situation in which lending institutions are unwilling to advance additional funds to borrowers at the prevailing market interest rate, even if the latter are willing to pay higher interest rates.

Generally, collateral can be "used as a screening device" (Sena 2008: 17) only if potential borrowers are wealthy enough to fully guarantee the loan. In the absence of any assets, and given the personal profile of these new potential borrowers and consumers of financial products, social policy will function as the "screening device." Cash transfers underwritten by the state and now enshrined as the blueprint for social policy in the Global South (Lavinas 2013) have come to fulfill collateral requirements, beyond their more conventional role of mitigating poverty.

The role of the state is also altered. Since creditors rely on connections (recurring information-gathering so as to estimate the risk of default) and collaterals (to cut losses in case of default), to encourage mass inclusion into the financial system, as noted by Krippner (2017), it falls to the state to strengthen the twin strategies upon which the expansion of financial markets rests: the creation of collateral on one hand, and the systematizing of information about the "unbanked" and undocumented on the other.

The implementation of income transfer programs has meant providing potential beneficiaries with documents to facilitate the targeting process that is inherent to poverty-fighting programs, as well as creating detailed records that are to be periodically updated. Seen in the context of potential loans, these make up for the lack of a credit track record, which might otherwise constrain users' access to financial resources by increasing the cost of borrowing.

When financial inclusion policies are adopted with the aim of expanding the existing array of financial products, credit in particular, it is common for public databases containing the records of cash-transfer beneficiaries to be shared with local financial institutions. This serves to cut costs when drawing up clients' credit scores.

The state is also committed, through its Central Bank and other public authorities, to improving financial literacy among income transfer recipients as an antidote to over-indebtedness and default (Lavinas 2018). While income transfer programs once called for mandatory school attendance and regular visits to health care centers, when available, now they require adults to attend financial education courses and have made the topic mandatory course content in primary and secondary schools, as well as in textbooks (see also Lazarus in this volume). According to the *Global Financial Inclusion and Consumer Protection Survey* (2017), half of the countries in Latin America and the Caribbean have adopted financial education as a component of public cash transfer programs, under the supervision of Central Banks. In two other regions, Sub-Saharan Africa and East Asia and the Pacific, a third of programs follow the same lines, the most immediate result of which has been to facilitate the development of an investor mentality among low-income and poor households and intertwine poverty and finance.

Nevertheless, the State's most important role is still to consolidate novel social schemes, lauded as innovative (Lavinas 2013) for being market-inclusive and cheap, and to provide new regulations so as to invigorate consumption and what was once known as social protection through access to financial devices. Regular income streams, even at very low levels, are key to smoothing and accelerating the process of market incorporation in regions where the shift to a salaried society never materialized. By the same token, they boost dynamics of financialization more broadly (securitization process, derivative markets) and free financial markets.

One of the most startling consequences has been the exponential growth of household debt and debt ratios, phenomena now characteristic of the start of this century. Brazil and South Africa may serve as examples in this respect.

Brazil and South Africa: Similar Paths of Collateralization

Indeed, Brazil and South Africa have much in common. Over the course of the 1990s, as they went through processes of redemocratization, both nations turned to a varied array of social policies, designed to address levels of poverty and inequality so high that the two seemed to be fighting for the top spot. In the mid-1990s, Brazil and South Africa's Gini coefficients were above 0.6. In both countries, social spending comes largely in the form of cash transfers, whether retirement or welfare benefits, with the latter becoming increasingly important as a potent mechanism for incorporating large, previously excluded contingents into mass consumer markets (Lavinas 2013). Two-thirds of Brazilian social spending has taken the form of monetary transfers, to the detriment of decommodified forms of direct provision (Lavinas 2017). This share is even higher for South Africa.

As in Brazil, financialization is far advanced in South Africa (James 2015). It was helped along by the liberalization and financial deregulation of the late 1980s, which ran in parallel with the democratic transition and which served to rid the financial markets of checks on their expansion. "The quite extraordinary liberalizing of credit provision," as James refers to it (2012: 24), marked the onset of the new millennium in both countries. By way of example: the share of domestic credit to the private sector as a percentage of GDP rose from 27.7% in 2003 to 66.8% in 2015 in Brazil, whereas in South Africa it went from 115.9% to 147.7% over the same period. Credit growth continued to abound through the 2000s.

In both South Africa (Marais 2011; James 2014) and Brazil (Bruno 2011; Feijó et al. 2016), the financialization of the economy did not translate into an increase in productive investment that might promote structural changes in the pattern of accumulation and growth. Rather, it facilitated the unprecedented phenomenon of mass financialization (Becker et al. 2010; Lavinas Araújo and Bruno 2019). The swift paring away of credit constraints, or what South Africans referred to as "credit apartheid," led to the financial inclusion of broad swathes of the poor and working classes in both countries, beyond welfare recipients, taking in those seeking the kind of living conditions and opportunities they had been led to expect with the consolidation of democracy. The flipside of the coin is that Brazil and South Africa now display worrisome levels of household indebtedness and default rates.

In South Africa, the post-apartheid period has been marked by institutional innovations on the score of social policy, with the introduction of countless cash transfer mechanisms such as the old age grant and child support grant, among other social assistance benefits. In 2018, the number of social grant recipients stood at 17.4 million, up from 2 million in 1994. More than 12 million children receive an income support of 32 US$ on a monthly basis (Blackmore 2018). It has been estimated that a third of the South African population receives welfare grants, with spending equivalent to 3.4% of GDP in 2015 (South Africa National Treasury 2015). These social grants constitute the most important element of the social wage, a four-pillar means-tested social policy targeting the poor.

With the expansion of safety net coverage deepening the monetization of the poorest sectors of society, a wave of financial inclusion was made possible as grants were deposited directly into the individual accounts of beneficiaries (opened for this very purpose). In South Africa, the company designated to make these payments, Cash Payment Services, and its ancillary firms have taken to using the data of millions of welfare recipients to "cross sell" funeral policies, micro-loans, micro-insurances and other financial products to them. Payments are automatically deducted from the secure monthly flows of welfare payments. As Neves and James note, "the profits from these sales exceed the fee CPS receives from the government to distribute the grants" (2017: 2). This is not an isolated case: the largest private insurers in South Africa did

the same with social grants paid to children, although the practice was subsequently outlawed. These should not be seen as wrongdoings but rather practices that are inherent to financialization.

The capture of welfare benefits by rentier logic has not spared other groups, whose regular income streams, including retirement benefits and public-sector salaries, are also paid by the state. More research from James (2018) shows how these new lending practices in South Africa have spread in particular to new civil servants in the post-apartheid era. Lacking in fixed assets that might serve as collateral, but with a regular, albeit modest, salary, they become the ideal prey for a financial system hungry for income streams to be converted into financial assets, which may in turn generate new streams of income. This continuous, growing path to debt explains why debt as a percentage of household income has passed the 70% mark in South Africa (South African Reserve Bank 2017), a high one by any standard.[8]

Brazil's recent trajectory has much in common with South Africa's in terms of the use of social policy as a mechanism to secure credit, consumer credit in particular. The now world-famous Bolsa Família program, created in 2004 along with social pensions for the disabled and the elderly poor, reaches approximately 50 million people, but accounts for just 1.5% of the country's GDP (Lavinas 2017). Monthly benefits vary from 10 US$ (for the child benefit under Bolsa Família) to a minimum wage (for social pensions), the equivalent of around 270 US$. Payments are made into fee-free individual accounts which are opened once the benefit is approved. Just as in South Africa, this formal link between welfare payments and an individual bank account paves the way for the acquisition of a growing number of financial products tailored to the needy, including funeral insurance, consumer loans, as well as new methods of payments for different kinds of goods or services, such as instalment payments.

Similarly, the 27.5 million people who receive retirement benefits from the public system, two-thirds of which are equal to a monthly minimum wage, and the country's 12 million civil servants, are eligible for a special form of credit known as consigned credit (*crédito consignado*), created in 2003 under the Workers' Party's first administration. This is a loan where instalments are deducted automatically from civil servants' paychecks or from public retirement plans or death pensions. On entering into a loan or financing agreement, or beginning to use a credit card conceded by financial institutions, the borrowers issue irrevocable authorization for the instalments to be taken out of their paychecks. The cap on these payments is set at 35% of net pay. They enjoy more favorable loan conditions and lower interest rates as compared to non-consigned loans, because the state is the guarantor of their salaries and their pensions. Even so, net interest rates remain extremely high. In 2016, for instance, they ranged from 27% to 49% per year on average (Lavinas 2017). Borrowers are also on the hook for default insurance, making it significantly harder to keep up with payments (mandatory insurance to prevent default increases the cost of the loan).

Within financial institutions, consigned credit has thus inaugurated the practice of engaging in an "active search" for retirees, which may even be carried out by correspondent banks, as well as competition for state and municipal payrolls, indicating the central clienteles for this sort of credit and thus excluding risks of moral hazard.

It is indisputable that people's ability to borrow was considerably increased by these new credit lines; but their ability to pay back loans did not keep pace. In 2014, debt–income ratio for overall borrowers hit an average of 64%. For the lowest-income borrowers, those earning up to three minimum wages (approximately 810 US$ per month), the debt-to-income ratio stood at 73% (Brazilian Central Bank 2014). Recent figures are even more troubling, showing that in the thick of a severe economic recession, which has lingered from 2015–2017, a record-breaking 60 million adults are now in default (SPC-CNDL 2017), 90% of them from the lower middle classes and below the poverty line. Expenses on clothing and food account for the vast majority of these unpaid debts.

Not even the poorest of the poor have been spared from the debt spiral. A growing number of Bolsa Família recipients are indebted – 1.4 million households have taken out loans, on average, ten times greater than their monthly stipend – and in default. According to the Brazilian Central Bank (2018), for this group, the default rate – the definition of default being a payment delay of 90 days or more – is three times higher than the rate for similar low-income groups that have not benefited by the poverty-fighting program. Because of their poverty, they pay interest rates higher than what is already a high average: an indication that, indeed, discriminatory practices do persist.

In Conclusion

In the developing world, a wide array of financial institutional arrangements targeting the less fortunate and the poor has surfaced since the 1980s in the wake of neoliberalism's rise (Bateman 2017). These programs have swept across countries lacking in social policies, hawking the idea that the less fortunate might escape poverty by dint of personal effort and discipline, coupled with expanded access to financial devices. Support for the microfinance model grew massively in the 1990s and became the backbone of strategies put forth by international agencies and designed to tackle new social risks and underdevelopment. And yet microcredit experiments, beyond expanding the reach of financial markets and financializing poverty (Duvendack and Mader 2017), never proved effective in reducing poverty, nor did they advance local economic development.

The great financial crises of 2008 gave way to the restructuring of global finance, a process that led to more effective coordination among actors in the financial system, international agencies, and national authorities in the common task of broadening the scale and scope of access to credit and other financial products. Financial markets were moving forward at a still-sluggish pace across the Global South, revealing potential left untapped because of barriers to the spread of financialization.

The state, by using social policy schemes, is key in eliminating those barriers.

First, the state grants the needy the right to a monetary transfer by virtue of their poverty. In so doing, under financialized capitalism, the state also enables welfare recipients to become potential borrowers. By the same token, the latter are relieved from posting collateral: the regular stipend they receive from the state serves as collateral. In other words, being entitled to safety net coverage takes the place of having to provide liquid assets. Nevertheless, the logic of collateralizing financial transactions is preserved and extended, which is imperative for financial markets.

Secondly, the state pays the benefit through deposits or into individual accounts not always subject to fees or other regular requirements. In this case, data on these special bank holders are provided by the state, in charge of maintaining and updating databases in order to hone its targeting welfare system and avoid misuses of the benefits. These databases (sometimes fingerprint-driven like in South Africa) are then shared with the financial sector, reducing their costs and risks by providing them with information about the lives of welfare recipients so that they might identify the product or form of financial transaction best suited to each, establishing a more lasting, trusting relationship with these new consumers.

The state is also the source for financial and economic education strategies designed to shape the connections between the newly banked and the financial sector, as well as educating a generation of finance consumers through financial-inclusion programs implemented in schools and universities, justified by the argument that they strengthen individual economic rights. It is the direct participation of the state, through myriad practices and instruments that ultimately allows the financial sector to adapt procedures and requirements on the way to making financialization a massive, global and irreversible phenomenon.

Finally, the state is crucial in stimulating the creation of liabilities that are nothing but a way of generating, on the other end, financial wealth. Along with the public sector debt, the indebtedness of households, amplified by the proliferation of income transfers underwritten by the state, constitute an essential pillar to the process of financialization. In both cases, the state stands out either by coordinating mechanisms which produce debt or by being directly involved in producing debt (public debt).

This is how financialization, working through the state, has engendered new forms of expropriation and control, subsuming and instrumentalizing social policy. Conceived in the second half of the twentieth century as a path towards freedom from the market, social policy has now become a source of dependence upon the market and even disenfranchisement through the market.

The collateralization of social policy reflects this trend and challenges the so-called novel dynamics of social inclusion in which entitlements are made to play the role of assets. We are driven to examine the logic that precedes and informs the expansion of an array of social rights in the developing world, and how this threatens to undermine rather than consolidate citizenship as we know it today. Rights are divorcing from genuinely emancipatory trajectories to service debt and boost the development of financial markets across the Global South.

Notes

1 I am thankful to Alfredo Saad Filho and Deborah James for their critical comments on a previous draft.
2 A total of 124 countries are in the sample.
3 Estimated data for seven countries that account for 75% of the region's population.
4 For more information on the so called "Golden Age" of the fight for universality, refer to *The International Labour Organization and the Quest for Social Justice, 1919–2009*. Gerry Rodgers, Eddy Lee, Lee Swepston and Jasmien Van Daele (eds.). International Labour Office. – Geneva: ILO, 2009.
5 Bankarization here is understood as "the establishment of stable and broad relationships between financial institutions and their users as regards a range of available services" (Morales and Yañez 2006).
6 As underlined by Sena (2008: 18), under full information about the borrower, financial institutions prefer not to secure a loan with collateral for "collateral is costly to liquidate in case of default."
7 Ever since microcredit and microfinance have become the spearhead of the neoliberal onslaught (Bateman 2017), as an alternative to social policies, a lack of physical collateral has produced new collateral schemes, such as social collateral, especially in asset-poor areas. A borrowing group acts as a guarantor for each other member's loans, screening and monitoring each other and ensuring that the loan is used in income-generating activities and will be repaid in order to avoid penalties for the group (see also Postelnicu, Hermes and Szafarz 2013). According to Duvendack and Mader (2017: 43), social collateral is the most disciplining device whose power "lies not so much in [its] capacity to punish as in [its] normalizing of individuals' behavior." Shiller (2012) emphasizes that a variety of collateral agreements, allied with information technology, constitute financial innovations that facilitate access to financial markets.
8 According to the US Federal Reserve, the debt-to-income ratio with regard to consumer loans (no ties attached) should not exceed 30%.

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