

Owning the future – building democratic ownership

Keynote at the 6th Foundational Economy Conference

Matthew Lawrence

Today, I want to talk about owning in the future, and how by reimagining property we can begin to refound the foundation. In particular I want to talk about three things. First, how is the foundational economy actually owned, what are the particular property arrangements, the particular bundle of property rights that own, shape, and govern the infrastructures, the relationships of the foundational economy, what is the dominant – and I'd argue the socially antagonistic form – of ownership. Second, Britain as an example for other European countries of what not to do. I really want to focus on is looking at work we've done over the last 18 months or so, looking at the unique experiment that Britain's undertaken which is the scale and severity of the privatization of the foundational economy and how that links to the chronic crisis of unlivability that Britain has been experiencing for quite a while now. Then finally, we have to come up with solutions, so I want to end with thinking about commoning the foundations: what are the agendas, the coalitions, the inspirations for democratic control of production, and provision of life's essentials.

Much of the evidence I will be looking at comes from the analysis of two data sets Refinitiv and PreQuin, which is a sort of private equity-based financial database. Through getting under the bonnets of capitalist ownership models we seek to argue for and design alternative ownership models for just and sustainable society. I think the key really is thinking not just about redistribution of the present but reimagination of the future. How can we actually re-articulate, reimagine property relations rather than redistribute the present. Through that, there are three pillars that I want to repeatedly stress throughout which is this idea of democratization, decommodification and decarbonization. So, just to briefly lay the foundation, we understand the foundational economy as the shared material and social (and increasingly digital) infrastructures of everyday life. They provide the goods and services that we all depend upon, and which we need to access to live and thrive. By its nature it is therefore collective in design: in how it is funded and accessed, and how we

participate, produce, deliver, and consume the goods and services within the foundational economy. Through that collectivity there is systemic potential. It is worth stressing that the non-tradable character of much of the foundational economy shields it to a degree from some of the economic pressures that tradable sector faces. Therefore, there is actually more political autonomy, there is more opportunity to reimagine, to experiment. The foundational economy really stresses the economy's social construction. Through its focus on nurturing and welfare, and through public and not-for-profit provision it sets out an alternative to the present, that I think is really inspiring.

So how does that relate to the politics of ownership? What we have clearly seen, and this is really focused on the UK but I think in some way it is relevant to other experiences, are cracks in the foundation emerge. Erosion by a combination of austerity, outsourcing, privatization, financialization. We know this is a long and baleful list. Fundamental to this erosion has been a continuing reliance on market coordination and market-based entitlements, premised on a combination of private investment, market-based governance and private profitability to guide the delivery of foundational goods and services. In other words, instead of meeting societal needs through some planning and delivering that as a society we leave it to market-based metrics in which power and decision making is monopolized by owners of capital and its intermediaries. That leads to systemic underprovision of what we need to collectively thrive. Some of the stresses that this produces include the squeeze on residual incomes, the stretching of provision, the magnification and multiplication of insecurities, and of course the shift from public to private provision has also stressed to a breaking point the ecological systems upon which we all rely. That erosion, in turn, stresses, magnifies, and reproduces the existing gendered, classed, and racialized inequalities and oppressions that intersect and are reproduced every day.

What is the dominant property form that underpins the foundational economy? It is this sort of a toxic

combination of a private financialized, concentrated, exclusive, and exclusionary model of ownership that underpins and reproduces market-led delivery of the foundational economy. While the content might vary, the form is the same. We can see examples of private equity vehicles dominating ends of child care provision and adult social care in the UK, a significant role for publicly traded multinational corporations in delivery of utilities, the role of giant asset managers, and fundamentals like the water industry. While they may all in some ways look different, they all funnel upwards to the same beneficiaries in a network of internationalized and disproportionately wealthy asset holders. In other words, the foundational economy is in the grip of a web of extractive ownership models which has cracked the foundations. This is not by chance. It is a political project of predation that has transformed the foundational economy into a site of rentier extraction. This has been an active process of assetisation. It is not just about privatization, about the shifting from the public into the private, but it is about the nexus of law, of regulation, of tax, of macro fiscal regimes that have made it all easier for private owners to extract wealth and concentrate wealth out of the foundational economy.

Now I just want to turn to the UK in its unique experiment. There is this lovely line by Alberto Breck which says something like, to be truly radical put your finger on something, and ask how did it get here. What are the social metabolisms, what are the ecological catastrophes that have brought these things into our world, into the relationships that they have. If you put your finger on the ownership structures, on the financial flows - the metabolisms that sit behind the UK's foundational economy - you are led to similarly radical conclusions. Actually, there is an argument that it is very reasonable to have radical systemic change of how we organize the foundational economy. It is worth stressing just quite how unique the UK's experience has been. I am sure potentially others have caught up in the last 20 years but as trailblazers in some form at least. Since Thatcher came to power in 1979, until the early part of the millennium, almost half of all the value of privatised assets in the OECD occurred in the UK. And I think that story is inseparable from the crisis of unlivability that many are experiencing. It is important to stress that crisis vulnerability is not new, it has been revealed and extended in the UK, but many low-income households have been facing this chronic crisis for many decades now as a result of this transformation. It has exposed and underscored the inadequacies of marketplace provision. There is some work of scholars like Isabella Weber who spotlighted this and stresses the distributional conflict and its intensification. Some work we did early last year showed that the Financial Times Stock Exchange 100's (FTSE100) profits of non-financial corporations are up one-third in the last couple of years relative to the pre-pandemic average. Many of these companies are rooted right in the foundational economy, so we are

seeing rent and profits expand at significant social cost. I will start with adult social care, and as you know the care economy is deeply complex. Adult social care is only one form of it, and in some ways the unifying factor is that it is systemically undervalued. Despite its diversity, one thing it does share with many of the other sectors is it has been subject to these forces of privatization, financialization and austerity and that has changed the nature of provision of adult social care. For example, in the UK, roughly 85 percent of adult care home beds are now in the for-profit private sector which is almost a complete inversion of the equivalence of provision distribution from two or three decades ago. Key to this is the role of private equity-backed vehicles whose business models involve complex financial engineering. We looked at one firm, which has collapsed since, which had 185 different shell companies through which it distributed its profits. This is a strange way to organize the provision of care - I am not sure you need 185 Cayman Islands or so bank accounts. This certifies the intense financial engineering, debt-funded growth model and the worsening of care conditions. We saw that really brutally in the way that Covid revealed that mortality rates in private equity-backed care homes were significantly worse than cooperative and public care homes. In some ways this reflects the fact that in the UK private equity-backed adult care homes, are much more about being real estate owners, and their portfolios are much more about owning real estate assets than they are about care providers.

That centrality of real estate takes us to housing which is perhaps the UK's most famous for of all its various crises. Shelter, that most fundamental need, has been transformed by the logics of the asset economy and in some ways is the epicenter of the asset economy. This idea that your chances in life and economic security are increasingly defined by whether you own wealth, whether you own property. No crisis is natural, all crises have social origins and so we can see that this multiplying and multi-dimensional crisis in the UK around housing needs is the result of a 40-year project. The retreat of public provision, the retreat of public planning, the growth of market-led, for-profit delivery of housing, whether home ownership or for renting, and of course intense financialization. There are many losers of this crisis. We have seen a collapse in the building of social homes over the last 30 to 40 years. Unsurprisingly, that has led to a spike in this chronic waiting list crisis that we can see here: 1.2 million people were on a social housing waiting list in England alone last year. Within a few years we are expecting to see one in every five households in England living in unaffordable housing, a chronic emergency of the foundational economy. But some are winning. The UK is now the largest single home in Europe for Blackstone, the world's largest private equity real estate portfolio manager. Margins on private developers have gone consistently up in recent decades and the average net margin of residential company landlords listed on the London Stock Exchange is almost ten times

the FTSE100 average. I think complicating the politics of the foundational economy is that many homeowners or people with mortgages have seen the value of their properties go up significantly. That complicates the political coalitions we need to build. Energy, which is the energetic basis of any society and fundamentally shapes the social relationships, and the economic structures built on top of it, is the foundational input of any society. The UK energy is organized by a double extraction. There is of course the private dominion and extraction of natural resources, but then through the pervasive privatization of the energy system we see a second extraction: the extraction through household bills and other sort of forms of payment from households through to the shareholders of these energy companies. In, the privatization is more pervasive than anywhere else. Not one single element of the energy system in the UK remains in public ownership. If you look at the grid, suppliers, generators, distribution networks. For example, the city of Munich owns more of the UK's offshore wind than the British public in terms of public ownership. The scale of the sell-off is extraordinary, and it has created this rentiers paradise for fossil capital. BP and Shell, for example, have distributed 176 billion Pounds to their shareholders in the last decade, and they will be making record profits in the last year off exactly this crisis in energy provision in the foundational economy. What have they done with that? We found that BP in 2022, for every Pound invested in low carbon generation, it distributed 13 Pounds to shareholders, and invested eight to nine Pounds into further fossil fuel generation. This is a sort of an existential threat to humanity, the sort of nature of ownership and governance of these companies. There is a company responsible for rolling out our energy

infrastructure, the National Grid which is in fact privatized, and it has distributed almost 30 billion since 2003, despite chronic waiting lists to connect renewables because of their underinvestment. So, the ordinary people's bills are going up because this company is prioritizing distributing income to shareholders over investing in social needs.

Network operators, the sort of final mile in the system, have margins that are amongst the very highest in the economy. The graph above shows that the top three profit margins industries relate to shelter and the energy system, and the fourth to private equity, many of which is in the care sector. You can also argue that to access life's essentials you increasingly need search engines, so you can bracket that in there, too. And of course, wind power, despite being green capital, still is capital in the form of seeking to expand and accumulate.

What about mobility – the ability to move, the ability to connect? What we see is that there is a tight correlation between the degree of the publicly owned and publicly provided transport system and the quality of these systems. Most of the UK cities fair very poorly in terms of percentage of journeys to work using public transport (source: Conwell, Eckert, Mobarak (2022)). The best two performing cities in the UK, London and Edinburgh, are the only two that have retained publicly controlled and broadly publicly owned transport systems. An example of this transformational shift from public to private is that since the privatization of the municipal bus networks in the late 80s, the cost of taking the bus has doubled in real terms while the real term cost of driving has fallen by 12 percent. I guess water really is the foundational good,

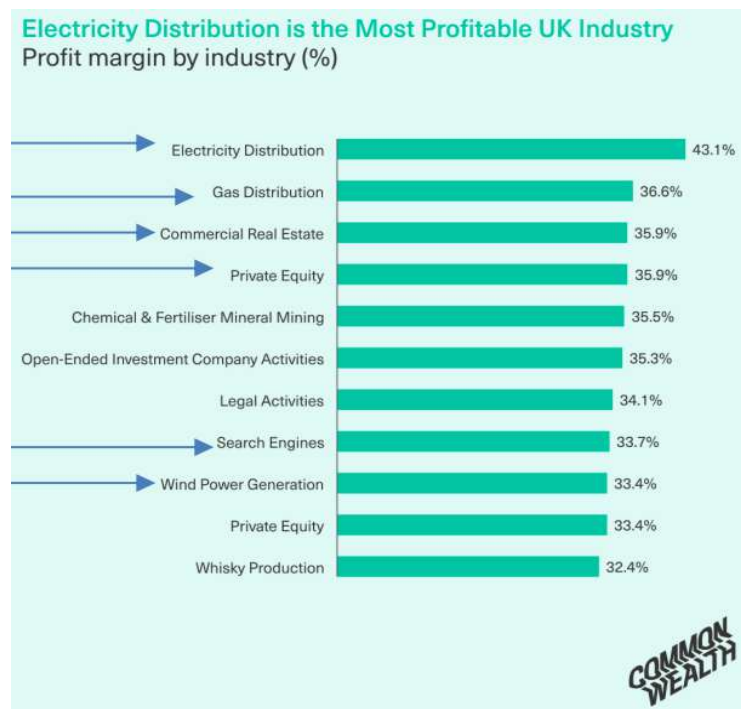


Figure 7: Profit as percentage of revenue by UK industries
Source: Presentation by Matthew Lawrence

and what we see is that Thames water, the largest water company in England, has paid out 72 billion pounds since privatization. In that time it is added 60 billion pounds worth of debt, even though its debts were cleared off at privatization by the government which is a rather kind of gift. I think what's interesting to note is, that Scotland and Wales provide counter examples as they have resisted the privatization of water. They have to a degree not-for-profit or public provisioning systems in Wales and Scotland, and they perform much better on almost all metrics – investment, service delivery, costs – than the largest nation within the United Kingdom, England.

A fairly dismal picture. Wherever we see private ownership and market coordination dominating the organization and provision of the financial economy, we see the same pattern in England or the UK: under investment versus staggering payouts for internationalized shareholders often intermediated through large-scale asset managers, and of course its management class; the CEO of National Grid was paid almost eight million pounds last year for example. We see systemic fragility in the business models and the offloading of responsibilities, inadequate and of course rapidly rising and costly provision, insecurity for workers and users which is the flip side of the attempts to squeeze up those margins, and as a result of residual income that is stagnant and squeezed. This isn't a malfunction, this is the system operating as designed. It is the system being designed as a site for the renierized extraction of wealth and its concentration upwards. So, I think what it tells us is, if we are going to build a need centered economy, a decommodified economy that displaces market coordination with democratic ownership and provision, we really have to take the property question seriously. It is not enough to just put more money and public investment into the foundational economy, if we don't sort of challenge these extractive models that sit behind the ownership and governance of the system. In other words, we have to rethink the property relations that structure the circuit board of the foundational economy. We need to think of the foundational economy as not reducible to financial asset or revenue stream; not really as a property, or something to be owned at all, but rather a set of rights and obligations, collective and public in nature. Stressing that property is not fixed and immutable and unchangeable, but it is liquid, and there are inherent possibilities to experiment and rearrange with it; that it is politically ordered, that it is backstopped by public authority, by social metabolisms, and therefore it is capable of really being rearranged. It is not like manna from heaven, market provided and ordained; we can actually rethink, experiment, and scale public orientated cooperative and common-based models of ownership and provision. We can see then an alternative mosaic emerging of bounded and squeezed-in markets, in which market actors can act, with users and workers who have fundamentally more power when they enter markets; an enabling state that both owns and delivers

at multiple scales, democratic forms of provision, but also invests and scales social innovation, and provides resilience. More resilient households that are attentive to the gendered inequalities within those households, a revived commons, whether that is land, data, or a whole sort of set of things we should think about commoning and strengthening. That alternative mosaic takes us back to the idea of decommodification, democratization and decarbonization.

What is a livability agenda? An agenda focused on needs over growth and accumulation, with:

- the idea of a living income; the idea of a minimum floor that no person will fall below;
- the well-developed concept of universal basic services of mobility and care justice through cooperative and public provision both waged and unwaged;
- decommodified housing, public housing, and the regulation the re-regulation of the private rental sector;
- a shift from an extractive energy system to an energy democracy which provides the basis through public ownership and community ownership of, what someone are calling the minimum energy guarantee - this idea that every household will have a block of free energy after which there would be escalating costs, but that minimum block would cover most people's basic needs;
- all this would obviously require a more active assets-taxing sort of fiscal state;
- new modes of economic coordination. How is price formation actually achieved - lift up the bonnet of markets, corporate actors, ownership structures that help shape that;
- it is not just about formal transformations and ownership, it is about the content, about democratic governance, about voices of users and workers in a sort of new mode of co-production;
- potentially above all, the redistribution of time. In a highly rentierized society, money in your pocket, as a fungible benefit, just gets extracted out to landlords or to shareholders of your energy companies, whereas time is a non-fundable benefit that we can all absorb and enjoy.

Finally, there are of course challenges as that agenda would directly challenge the interests of some of the most profitable corporates in the UK, and therefore some of the wealthiest owners of income bearing assets in not just the UK, but globally given the internationalized nature of

ownership of these sectors. So, how do we dislodge rentiers, particularly when we are traversing difficult terrain given the fragmentation of sort of social and political forces that might seek to overcome frontiers. Obviously, we need to move at multiple levels, but we can maybe start with a city as both inspiration and incubator. The city in general but, given we are here, why not use Vienna as inspiration: thinking about new imaginaries for infrastructural transformation through new ways of coexisting in the city; thinking about the heroic heritage of Red Vienna and its continuation through to today: thinking about collective resources and infrastructures to expand genuine freedom, communal luxury over private consumption – whether that is the playgrounds we see outside, public transport, and new forms of care or food systems. There is a whole array we can think about. To ensure that access to life's essentials, not so we can

just live but so we can thrive, is no longer contingent on the market but is a right of existence. That is a world in which we shift from the private to the public, from the extractive to the generative, from the growth-focused to the living-orientated. Above all paths, this is a challenge not of policies or analysis, but a challenge of politics. So, to re-found the foundational will require, I'd argue, a reimagining of the political. just in time.

References

- Conwell, L. Eckert, F. Mobarak, Ahmed M. (2022). More Roads or Public Transit? Insights from Measuring City-Center Accessibility. Yale University.