Living together and taking care of each other: narrating the asset-manager society

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REVIEW SYMPOSIUM

Living Together and Taking Care of Each Other: Narrating the Asset-Manager Society

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In *Our Lives in Their Portfolios*, Brett Christophers puts the spotlight on asset managers: those financial firms that manage the assets of other investors, typically institutional investors like pension funds or insurance companies. In six chapters, Christophers identifies the world's most prominent asset managers in housing and infrastructure, how they operate, and how they came to manage such vast concentrations of capital. Pulling these queries together, the book paints a sobering picture of a relatively new development in contemporary capitalism that is as pervasive as it is invisible to most people in society.

The book fits neatly within the emergent body of social science scholarship on asset managers, yet also clearly makes its own contribution. Recent studies (e.g. Baines and Hager 2023, Braun 2022, Fichtner et al. 2017) have shed light on what Benjamin Braun (2016) has dubbed 'asset manager capitalism,' or the vast control held by universal owners like the Big Three (BlackRock, State Street, Vanguard) who invest in virtually all of the world's public corporations. Christophers, by contrast, directs attention to what he calls the *asset-manager society*, in which firms like Blackstone and Macquarie 'increasingly own and control our most essential physical systems and frameworks, providing the most basic means of social functioning and reproduction' (7).

The distinction between asset-manager capitalism and the asset-manager society is important, because – Christophers argues – it is in society and not in the distant world of publicly traded firms where asset managers leave their mark on our daily lives: the houses we live in, the schools we attend, the hospitals we visit and the roads we drive on. You won't find their names on the buildings they own, but they are there in the background, squeezing profits from various segments of our lives. And that is immediately the biggest problem with *Our Lives in Their Portfolios*: once you become aware of the asset-manager society, you see its manifestations everywhere and, to some degree, you wish you hadn't.

One rainy Saturday morning, for instance, I found myself doing a deep dive into ownership structures and financial flows after reading a newspaper article on an order of ageing nuns in the south of the Netherlands. The nuns, faced with the inevitable demise of their community, refused to 'die pleasantly' and instead 'reinvented [themselves]' as real estate developers. The order joined forces with a 'socially-oriented' real estate company to construct eight new buildings on the convent grounds. In the sisters' spirit of 'living together and taking care of each other,' the proposed 260 rental units would include a number of care facilities for children and the elderly. That the same developer, backed by ESG-oriented banks such as Rabobank and Berlin Hyp, reneged on its promises to deliver affordable housing in other community developments was left unmentioned.

A closer consideration of the discourses used to justify and legitimate the asset manager society reveals a hypocritical reality; namely, the alignment between the asset-manager society and the very developments that are supposed to make finance capitalism less harmful, even benign. In our own research (Van der Zwan and Van der Wel forthcoming 2024), for instance, officials working for various Dutch pension funds were eager to point out that their investments were aligned with the United Nations Sustainable Development Goals. This 'positive' screen would consist of a selection of SDGs the funds focused on in their investment policies. Typically, funds focus on SDGs that are particularly meaningful to the fund's membership. So, a health care fund selected 'health and well-being' as an investment screen, while another fund chose housing, motivated by its members' concerns regarding the ongoing housing crisis in the Netherlands.

While at first sight these sustainability screens may seem harmless, Christophers shows the opposite by explaining how the investment vehicles that are used to invest in housing and infrastructure work exactly. Clearly, there is no 'long-term investment in vital communities' when the investment funds channeling capital towards these community redevelopments are designed specifically to generate profit after only a few years. In addition to rightfully criticizing the asset-manager society, *Our Lives in Their Portfolios* also places into perspective the many calls on the financial sector (including from many of us, in our own academic communities) to steer capital towards the 'real' economy – a futile exercise without a fundamental overhaul of the financial infrastructures that facilitate such investments.

Perversely, then, the asset-manager society provides the 21st century version of 'living together and taking care of each other.' Of course, the most immediate political foundation of the asset-manager society will be one that most scholarly readers of *Our Lives in their Portfolios* recognize as the widespread privatization and subsequent commodification of public services, coupled with the rise to power of large, global investors. Yet, both elements of the political construction of the asset-manager society rest on the historical precedent of the modern welfare state. Christophers mentions how asset managers' practices are often justified by referring to the financial benefits that they bring to the employees and retirees whose pension savings are invested in real estate or infrastructure funds. And certainly, the diffusion and growth of capital-funded welfare schemes are an essential part of the causal chain here. But, without widespread public ownership, the fire sale of essential social services would not have nearly been so easy.

Some of the more striking passages in the book reveal the ways in which public authority is intertwined with the asset-manager society. Christophers familiarizes the reader with the notion of de-risking and provides plenty of examples of its associated practices. The image these examples provide is of the state as the ultimate sucker, as it transfers taxpayer money from local communities towards large financial firms and their investors. In a particularly outrageous example, drawing on prior work by Stephanie Farmer (2014), Christophers recounts how the city of Chicago made a $1.15 billion deal with Morgan Stanley Infrastructure Partners and its partners for the exploitation of thousands of city parking meters. Part of the contract were specific concessions, whereby the city promised to compensate the investors for so-called adverse actions that took parking meters out of operation (e.g. road work). Shockingly, the annual costs of these parking concessions were three times as high as the city's prior earnings of the parking meter system. The concession deal also spilled over to other segments of the urban infrastructure, complicating the planning of bus routes and bike lanes.

To me, *Our Lives in Their Portfolios* inspired as much critical reflection on financial infrastructures as it did on governance infrastructures. It also left me wondering about the alternatives for the future. Christophers offers few insights into what can be done to escape the asset-manager society. Perhaps this is because the answer is not very satisfying to the more hopeful reader. After all, the complicity of the state in creating and supporting the power structures that privilege large financial players means that public intervention will largely reinforce the asset-manager society, if fundamental changes to existing governance structures are not made. Still, the ongoing cost-of-living crisis seems to have induced a wave of relatively small policy interventions, particularly in the area of housing: from rent caps to owner-occupancy rules. Many of these have been taken at the municipal level, with the aim of making local urban environments unattractive to global investors. Small answers to big questions, after all?

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