



Liverpool City Council's 'invest-to-earn' strategy



“There is no risk to the city or the council from what we are doing . . . We are trying to bring in more revenue and this should make a profit of £200m over the next 25 years . . . what we can do as a council is borrow at cheap rates and with that money we can help regenerate a wide area of north Liverpool as well as helping Everton. People have got to understand this is a commercial deal to enable us to make money” (Joe Anderson, Mayor of Liverpool, 2018)

Financialising city statecraft and infrastructure

‘Subnational Governance’ Seminar, Heseltine Institute for Public Policy, Practice and Place, University of Liverpool, September 2019

Andy Pike

andy.pike@ncl.ac.uk



Financialising City Statecraft and Infrastructure

'Financialising City Statecraft and Infrastructure explores the crucial connection between globalised financial flows and the infrastructure that provides the scaffolding for urban development. By following the money, the authors show the interaction of state and capital in shaping urban form and the uneven impacts on particular cities and groups within them.'

Susan S. Feinstein, Harvard University, USA

Infrastructure systems provide the services we all rely upon for our day-to-day lives. Through new conceptual work and fresh empirical analysis, this book investigates how financialisation engages with city governance and infrastructure provision, identifying its wider and longer-term implications for urban and regional development, politics and policy.

Proposing a more people-oriented approach to answering the question of 'What kind of urban infrastructure, and for whom?', this book addresses the struggles of national and local governments to fund, finance and govern urban infrastructure. It develops new insights to explain the socially and spatially uneven mixing of managerial, entrepreneurial and financialised city governance in austerity and limited decentralisation across England. As urban infrastructure fixes for the London global city-region risk undermining national 'rebalancing' efforts in the UK, city statecraft in the rest of the country is having uneasily to combine speculation, risk-taking and prospective venturing with co-ordination, planning and regulation.

This book will be of interest to researchers and scholars in the fields of business and management, economics, geography, planning, and political science. Its conclusions will be valuable to policymakers and practitioners in both the public and private sectors seeking insights into the intersections of financialisation, decentralisation and austerity in the UK, Europe and globally.

Andy Pike, Peter O'Brien, Tom Strickland and Graham Thrower are in the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University and John Tomaney is in the Bartlett School of Planning in the Faculty of the Built Environment at University College London, UK.

Andy Pike
Peter O'Brien
Tom Strickland
Graham Thrower
John Tomaney

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John Tomaney



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Edward Elgar
PUBLISHING

The Lipkows, 15 Lansdown Road, Cheltenham, Gloucestershire GL50 1JA, UK
Tel: +44 (0) 1242 250504 Fax: +44 (0) 1242 251111 Email: info@elgar.com
Willem Post House, 8 Dewey Court, Northampton, MA 01050, USA
Tel: +1 413 584 5701 Fax: +1 413 584 9823 Email: elgarinfo@elgar.com
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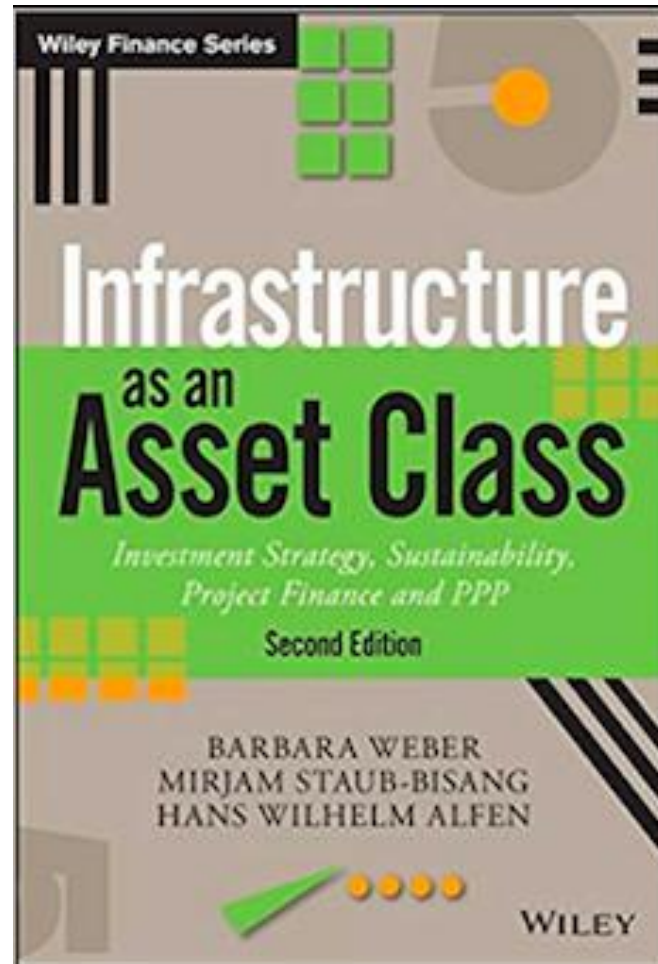


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Explaining the financialising of the local state and infrastructure

- Financialising infrastructure: from public good to asset class
- Managerial, entrepreneurial or financialised governance?
- Towards financialising city statecraft and infrastructure...
 - I – Colliding municipal and public with commercial and private finance
 - II – Continuing national government managerialism and control
 - III - Spatially biased infrastructure investment undermining spatial rebalancing in the UK
- Conclusions

Financialising infrastructure: from public good to asset class...



Defining financialisation

- Current “special” episode of “global financialisation”, “exponential growth”, “phenomenal acceleration” and [enhanced] “pressure asserted by finance” (Harvey 2015: 100, 177-78)
- Use values of the fixed capital locked in place in infrastructure transformed into exchange values and rendered liquid, transactable and mobile by “capitalization” (Harvey 2012: 11)

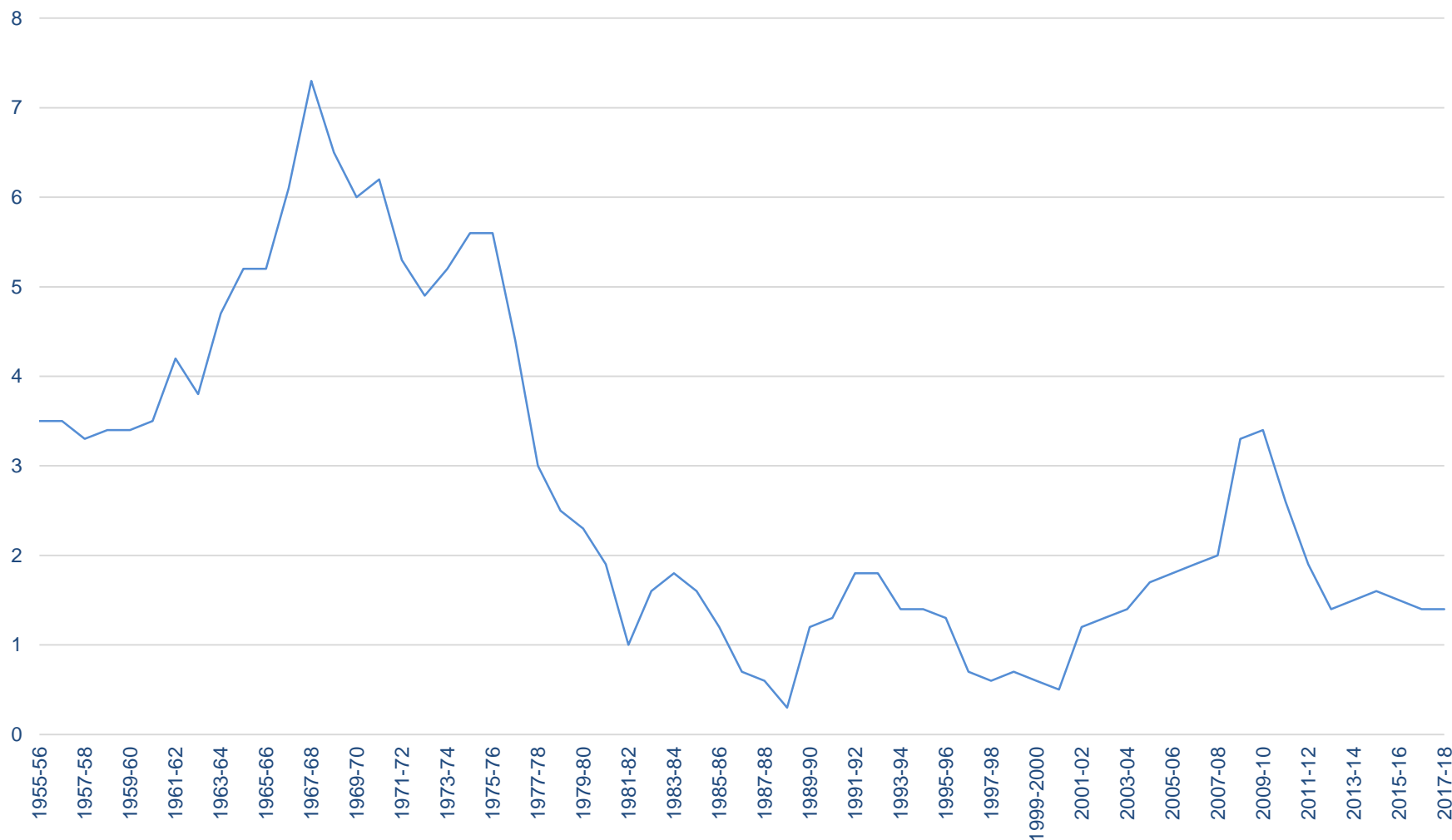
From public good to asset class...

- Essential services for populations and businesses relating to physical flows (i.e. broadband, energy, transport) or to social goods (education, healthcare)
- Government as a direct client, highly proximate to the transaction (via economic regulation) and/or guarantor
- Long term and supporting high leverage (debt)
- Stable and predictable cash flows
- Attractive and less volatile returns
- Low sensitivity to swings in business cycles and markets
- Inflation hedge
- Low default rates
- Natural monopolies due to network characteristics, capital intensity or government policy
- Generally low technological risk

Top 20 'global infrastructure investors' ranked by infrastructure assets (\$000s), 2017

Rank	Investor	Type	Country	Infrastructure assets	Total assets	% infrastructure
1	China Investment Corporation	Sovereign wealth fund	China	40,676,000	813,513,000	5.0
2	Abu Dhabi Investment Authority	Sovereign wealth fund	UAE	24,840,000	828,000,000	3.0
3	Canada Pension Plan Investment Board	Crown corporation	Canada	18,234,800	237,802,000	7.7
4	National Pension Service	Public pension fund	South Korea	16,020,200	498,004,000	3.2
5	Ontario Teachers' Pension Plan	Private pension fund	Canada	13,215,000	130,368,000	10.1
6	OMERS	Public pension fund	Canada	13,024,900	79,825,700	16.3
7	APG	Public pension fund	Netherlands	12,850,500	514,021,000	2.5
8	Legal & General	Financial services company	UK	12,301,600	575,535,000	2.1
9	CDPQ	Crown corporation	Canada	10,913,500	154,199,000	7.1
10	Australian Super	Private pension fund	Australia	8,617,230	81,245,200	10.6

Public sector net investment, % of GDP, 1955/56-2017/18



Source: ONS and OBR

**In the UK
illegally?**




**106
UTILITIES
FLOGGED
LAST WEEK**

**GO HOME, FACE ARREST
OR BUY A CHUNK OF
BRITISH INFRASTRUCTURE**

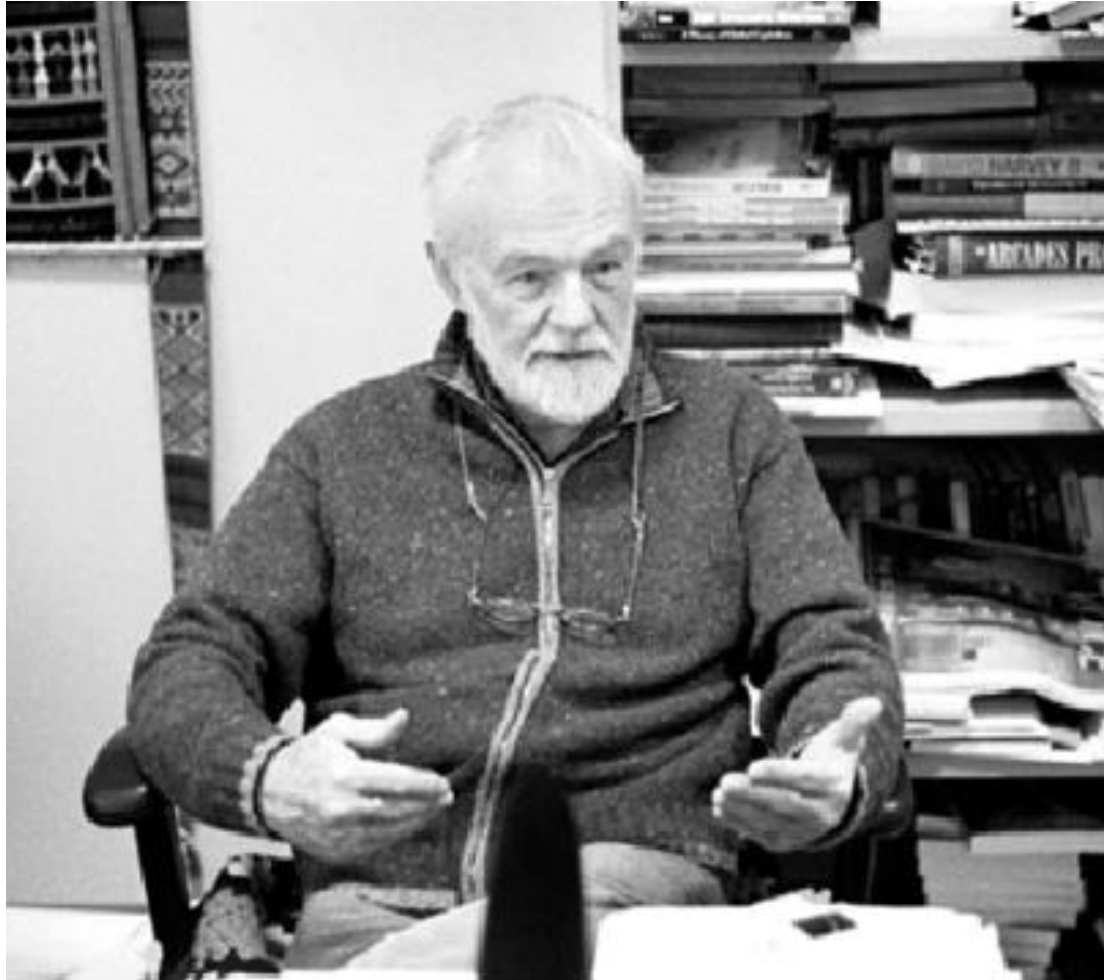
Text ROYALMAIL to 78070

Rich Foreign Bastards - We want your moolah NOW

Funding and financing practices

Temporality	Type	Examples
<p>Established, 'Tried and tested'</p>  <p>Newer, Innovative</p>	Taxes and fees	Special assessments; User fees and tolls; Other taxes
	Grants	Extensive range of grant programmes at multiple levels
	Debt finance	General obligation bonds; Revenue bonds; Conduit bonds
	Tax incentives	New market/historic/housing tax credits; Tax credit bonds; Property tax relief; Enterprise Zones
	Developer fees	Impact fees; Infrastructure levies
	Platforms for institutional investors	Pension infrastructure platforms; State infrastructure banks; Regional infrastructure companies; Real estate investment trusts
	Value capture mechanisms	Tax increment financing; Special assessment districts; Sales tax financing; Infrastructure financing districts; Community facilities districts; Accelerated development zones
	Public private partnerships	Private finance initiative; Build-(own)-operate-(transfer); Build-lease-transfer; Design-build-operate-transfer
	Asset leverage and leasing mechanisms	Asset leasing; Institutional lease model; Local asset-backed vehicles
	Revolving infrastructure funds	Infrastructure trusts; "Earn Back" funds

Managerial, entrepreneurial or financialised governance?

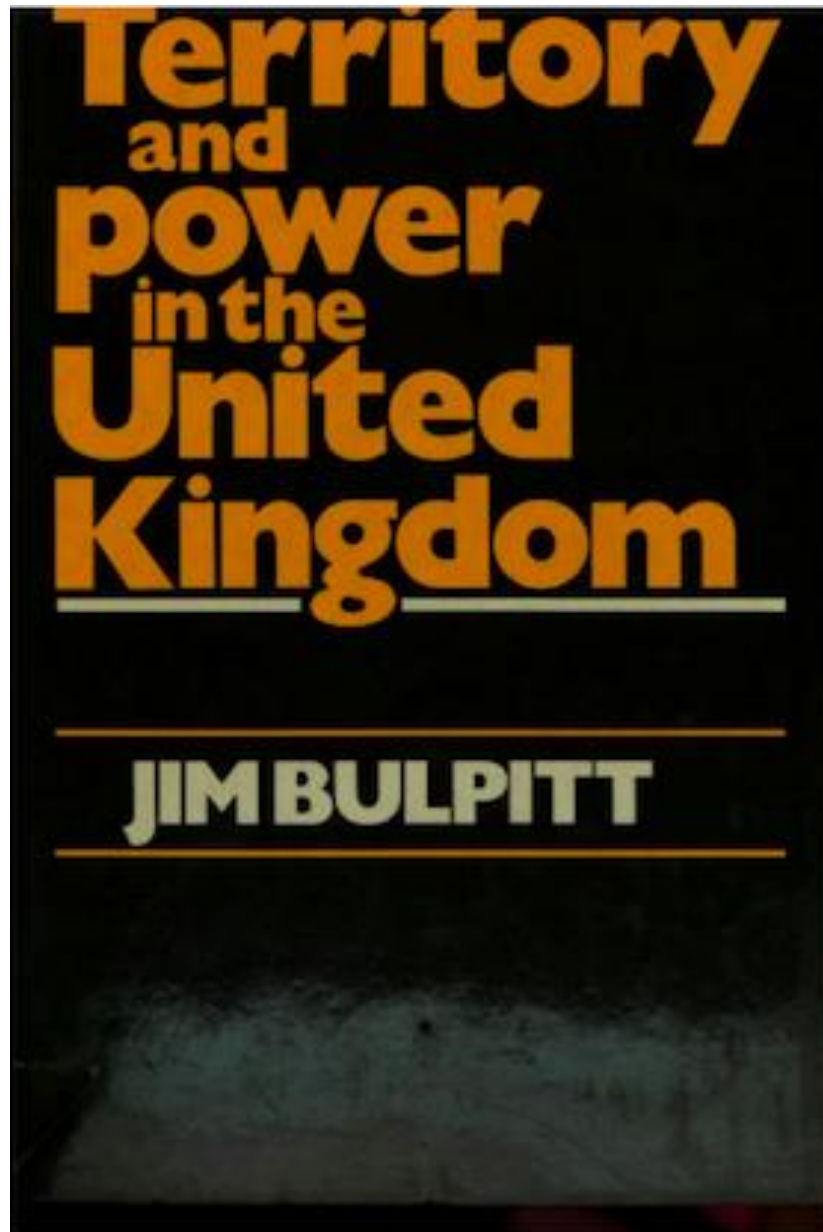


Managerial, entrepreneurial or financialised governance?

Managerial	Entrepreneurial	Financialised
<ul style="list-style-type: none"> • Direct national and local state ownership, management and planning • Nationalisation and national state-regulated provision of public goods – constructing the ‘modern infrastructural ideal’ • Economic and social objectives in national Keynesian frame • National government funding and financing through taxes, user fees, grants and debt 	<ul style="list-style-type: none"> • Privatisation, contracting-out and ‘marketisation’ • National and local state ‘hollowing-out’ – dismantling the ‘modern infrastructural ideal’ • Economic objectives, cost reduction priority, consumer service provision • Public-private partnerships • Public funding of private financing, user fees and debt 	<ul style="list-style-type: none"> • Financial institution and capital markets engagement • National and local state-market inter-relations, hybrid institutions • Productivity and growth objectives, fiscal localisation • New ‘asset class’ risk, return, maturity focus • Securitisation, ‘value capture’ mechanisms, public commercial asset leverage, leasing, revolving funds

The limits of existing frameworks

- Reaching the limits of archetypes and transformation frameworks... ‘entrepreneurial’ (Harvey 1989), ‘financialised’ (Aalbers 2015), ‘asset price’ (Byrne 2016), ‘speculative’ (Goldman 2011), ‘austerity’ (Peck 2012)...urbanisms and governance?
- Inconvenience of enduring managerialism...especially in highly centralised political economies and variegations of capitalism (e.g. UK, O’Brien and Pike 2018)
- Challenge to explain the “messy actualities” (Fuller 2013: 645) of mixing, hybridising and “mutating urban governance” (Peck and Whiteside 2016: 6)...



The emergence of ‘statecraft’ in local, regional and urban studies I – Examples

- Bulpittian analyses of decentralised governance in England (Ayres *et al.* 2017, Moran *et al.* 2018)
- “Scalecraft” (Fraser 2010: 332) as part of statecraft (Pemberton and Searle 2016, Morphet 2017)
- Statecraft without Bulpitt: ““geo-economic statecraft at the municipal level” (Kutz 2017: 1224) and “municipal statecraft” beyond growth agendas (Lauermann 2016: 1)
- Localised statecrafts: “Malagueñian statecraft” (Kutz 2017: 1233)

The emergence of ‘statecraft’ in local, regional and urban studies II – Critique

- Selective use of Bulpitt’s approach with limited reference to critiques and further elaboration
- Statecraft invoked but not specified, defined or situated in a wider conceptual and theoretical framework
- Uneven treatment of statecraft’s scalar/territorial and relational/networked geographies
- Partial recognition of the temporally and geographically specific nature of statecraft conceptions and theorisations

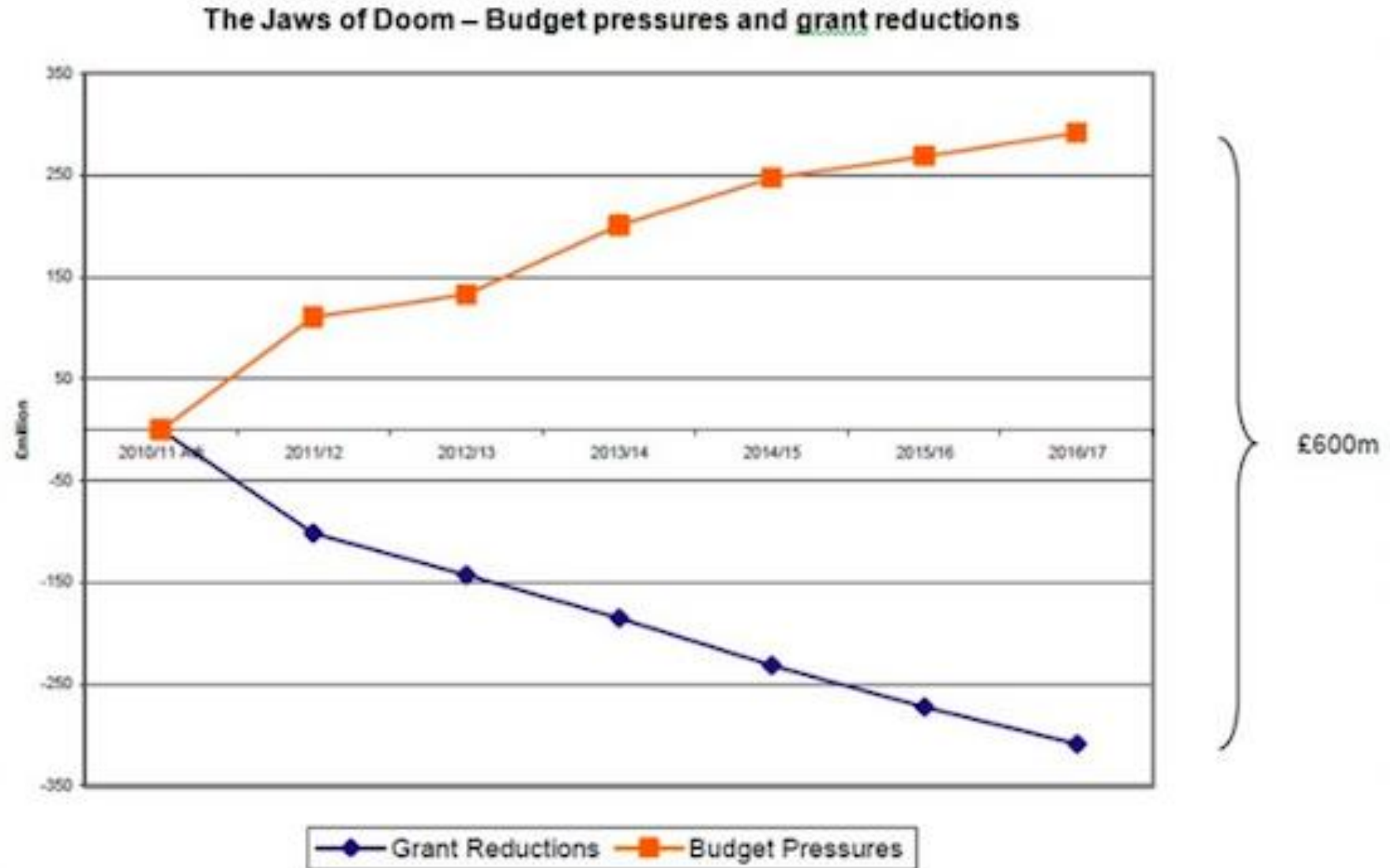
Towards city statecraft I...

- “the art of city government and management of state affairs and relations...concerned with the practice of government and governance, how state authority and power is accumulated and deployed by city government, and how the affairs of city government are administered in relations with other state, para-state and non-state actors at the city/city-regional scale and with the national state and supra-national institutions” (Pike *et al.* 2019)

Towards city statecraft II...

- Handles complexity, contingency and differentiated outcomes of governance in particular geographical and temporal settings
- Analyses and explains messy agency of actors, their interests, inter-relations, and politics over space and time
- Identifies actors in funding, financing and governing cities and addresses what is being financialised by who, where, when, how and why?

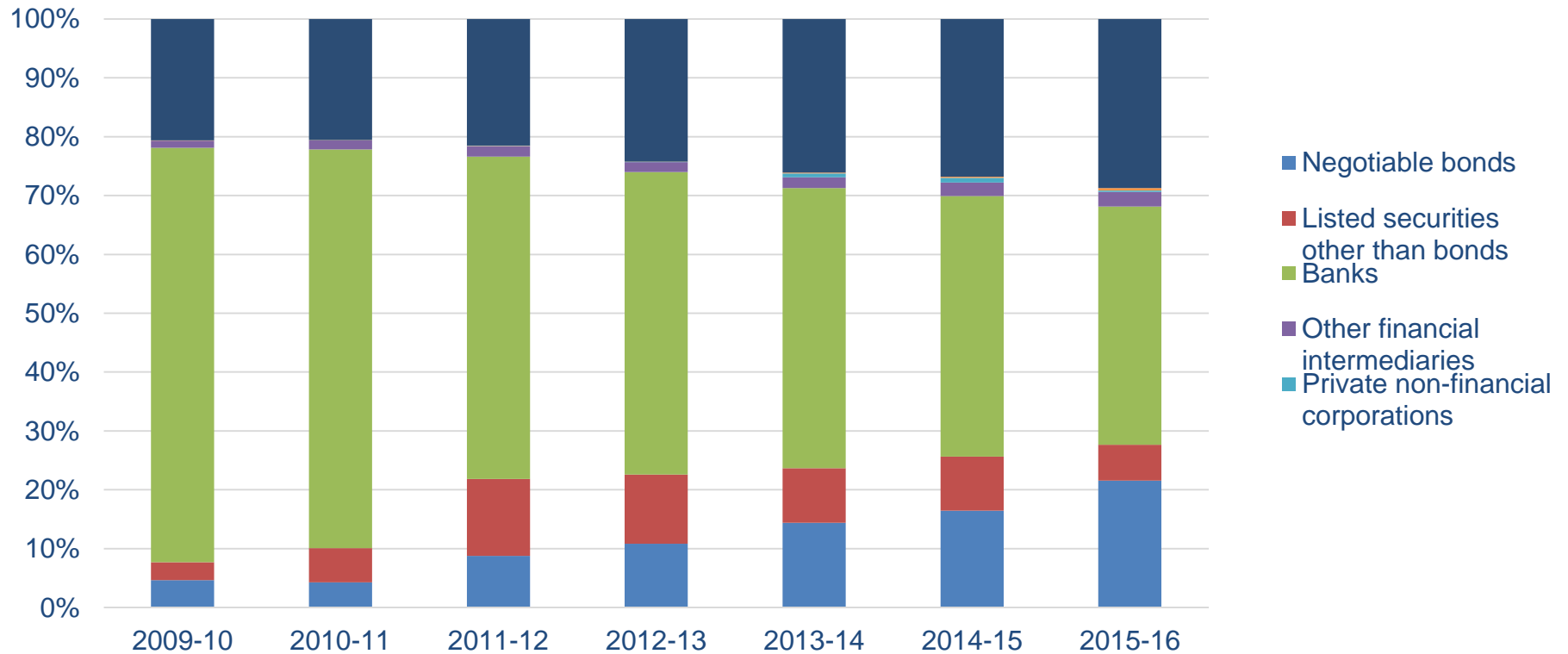
Sir Albert Bore's “Jaws of doom” graph



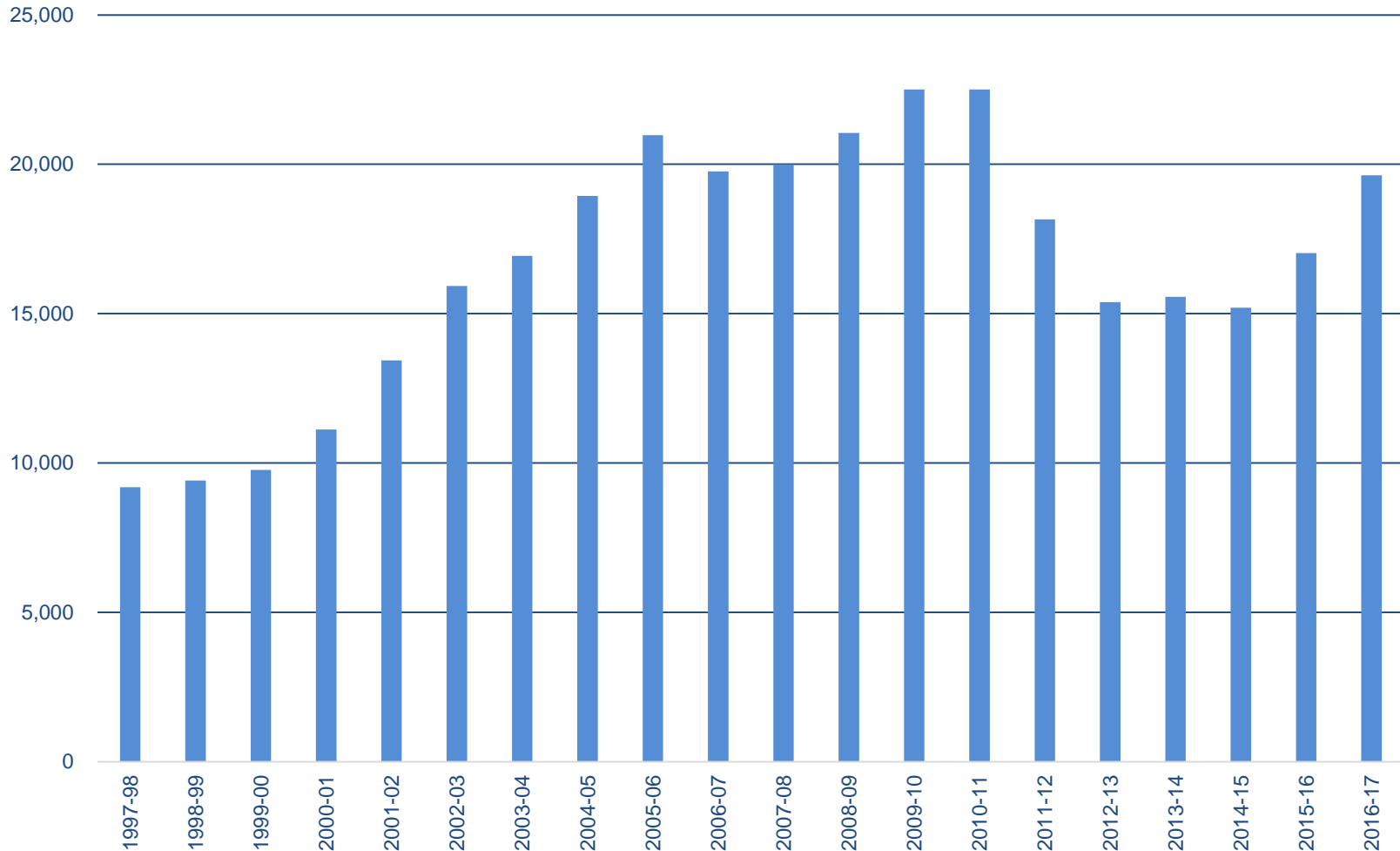
I – Colliding municipal and public *with* commercial and private finance

Dimension	Municipal and public	Commercial and private
Actors	<ul style="list-style-type: none">National and local governments and agenciesPoliticians, officials	<ul style="list-style-type: none">Financial institutionsManagers, specialists
Social relations	<ul style="list-style-type: none">With publics	<ul style="list-style-type: none">With investors and capital markets
Objectives	<ul style="list-style-type: none">Public goods provisionEconomic, social and environmental welfareSocial and spatial equity and distribution	<ul style="list-style-type: none">Returns on investment
Accountabilities	<ul style="list-style-type: none">Formal and legal to taxpayersExternal creditors	<ul style="list-style-type: none">Formal and legal for Plcs to investorsCreditors
Frames of action	<ul style="list-style-type: none">Slow, stable, bureaucraticLong-term and inter-generational outlookLow future discount rate, higher present value of future cash flowsRisk-averseIncremental innovation	<ul style="list-style-type: none">Fast, unstable, agileShorter-term outlookHigh future discount rate, lower present value of future cash flowsRisk-seekingInnovative
Geographies	<ul style="list-style-type: none">Territorialised, immobile	<ul style="list-style-type: none">De-territorialised, highly mobile

Local government total borrowing by source, England (%), 2009/10-2015/16



Local government total expenditure on fixed assets, England (£m), 1997/98-2016/17*



* 2017 prices. Includes: acquisition of land and existing buildings and works; new construction and conversion; vehicles, plant equipment and machinery; and, intangible assets.

Source: CLG Local Government Financial Statistics, Various Years

Local government asset purchases (>£40m), 2018

Local government	Value (£m)	Description
Spelthorne Borough Council	380	Former BP Campus
Buckinghamshire County Council	180	Energy-from-waste plant
Surrey Heath Borough Council	104	Town centre development and industrial park
Stockport Council	80	Merseyway shopping centre
Leeds City Council	45	Sovereign Square office development
Eastleigh Borough Council	40	Agea Bowl cricket stadium

“A quirky and hazardous corner of British public finance”



“While local authorities are furiously selling assets to plug gaps in their budgets resulting from central government funding cuts, they have simultaneously been accumulating property assets across the country. Such has been the buying spree that they are now a significant force in the commercial property market. This is largely thanks to cheap finance provided by an arm of the UK Treasury” (Plender 2017: 1).

II – Continuing national government managerialism and control

Room 151

Local Government Treasury, Technical & Strategic Finance



To search type and hit enter

151 BRIEF

WHAT'S NEW?

Grants available for low emission taxis
July 11, 2018

£7m community integration fund launch
July 11, 2018

Funding available to promote digital serv
July 11, 2018

TREASURY

TECHNICAL

FUNDING

RESOURCES

LGPS

DEVELOPMENT

151 NEWS

BLOGS

INTERVIEWS

JOBS

Property investment set to face 'security, liquidity and yield' test

BY COLIN MARRS IN 151 NEWS - TREASURY — 14 SEP, 2017



Melanie Dawes, DCLG. Photo: Tina Miguel

The most senior civil servant in charge of local government has outlined

THE PUBLIC SECTOR DEPOSIT FUND

CCLA

- transparent with strong governance
- UK Regulated
- daily liquidity



CCLA is authorised and regulated by the Financial Conduct Authority.

pbb DEUTSCHE PFANDBRIEFBANK

Adding Value in
Public Investment Finance

RECENT INVESTMENTS

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r 1 April 2018

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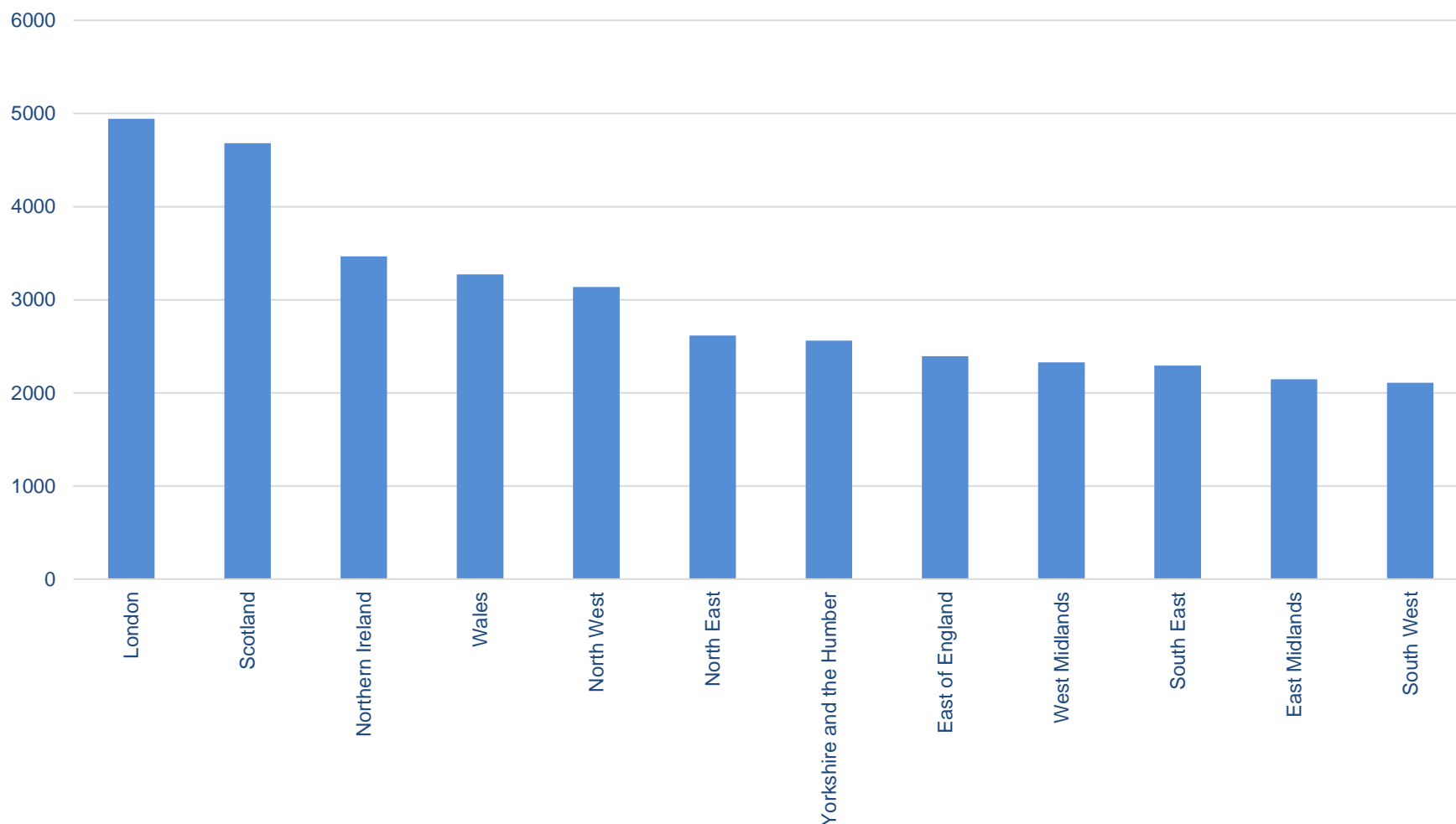
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III – Spatially biased infrastructure investment undermining spatial rebalancing in the UK

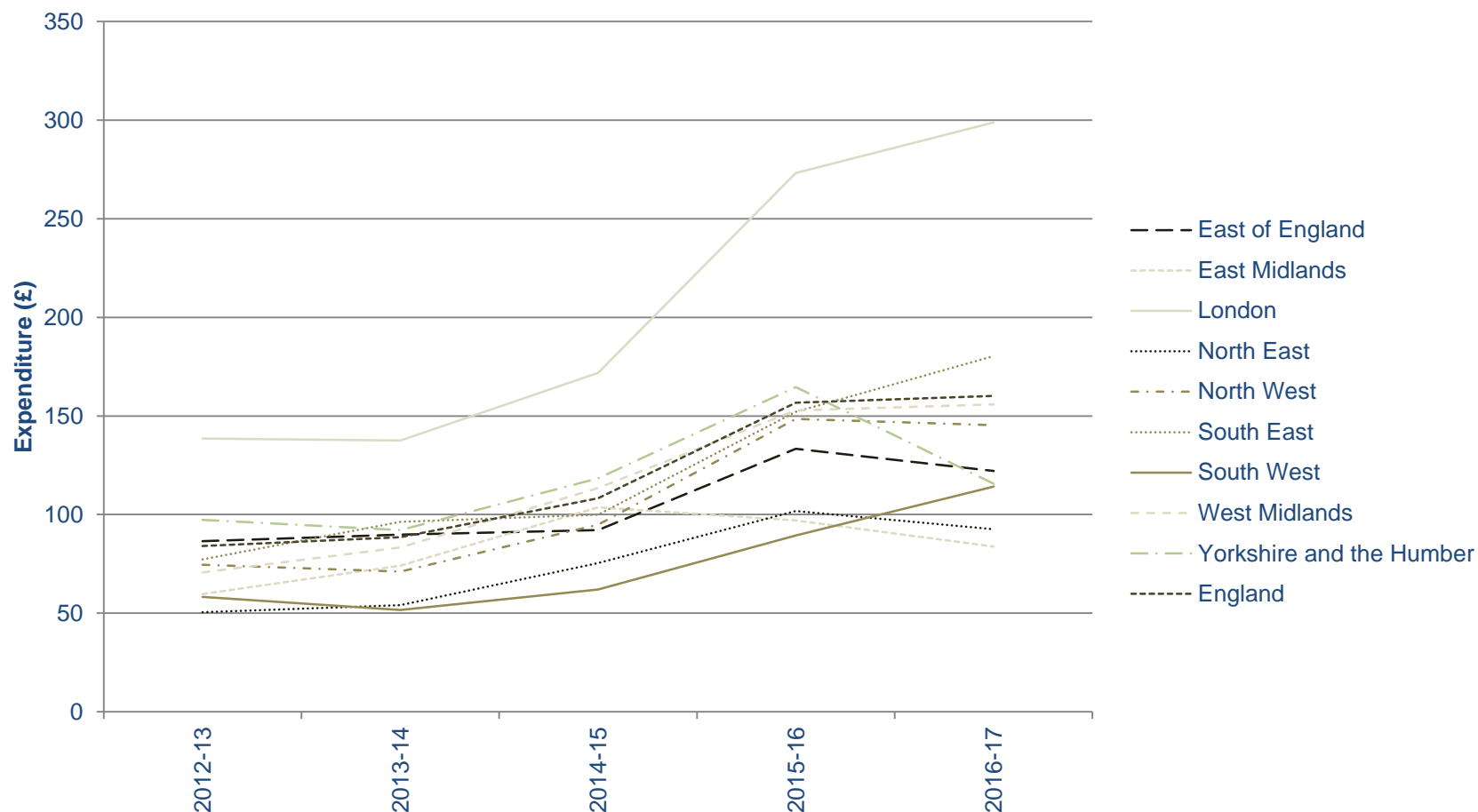


Public spending on infrastructure by country and region (£ per head), 2011/12-2015/16*

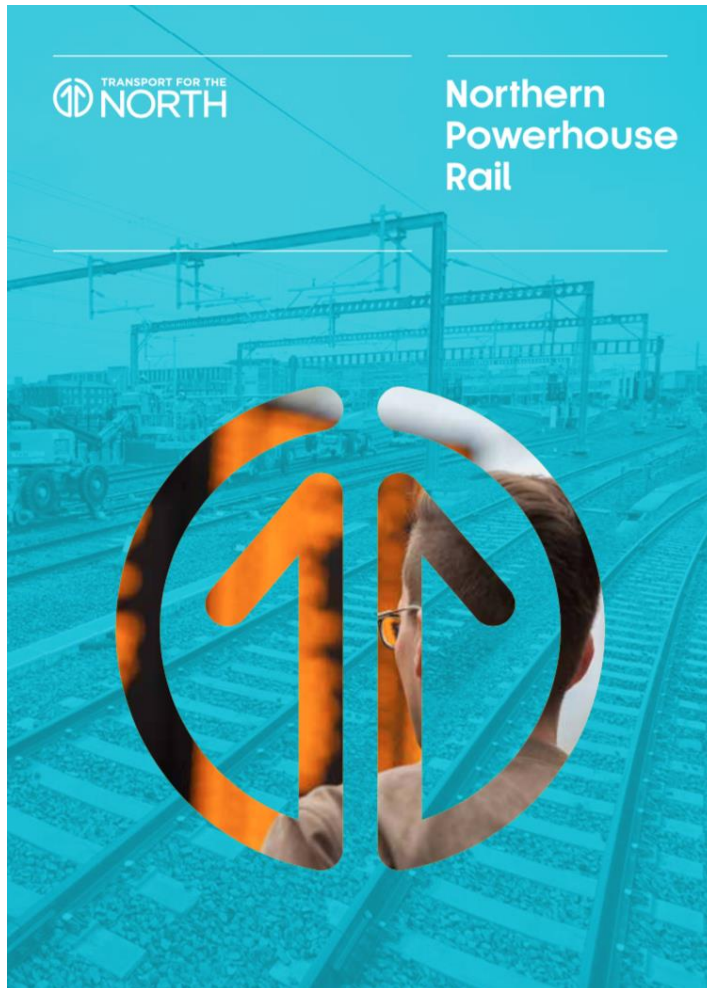


Source: Adapted from HM Treasury (2017) and Mor (2017: 20)

Department for Transport capital expenditure on transport per capita by country and region, 2012/13-2016/17



Northern Powerhouse and infrastructure: funding the £60-70bn?



Investment Programme



Liverpool City Council's 'Green City Deal'

“This proposed City Deal centres on positioning Liverpool as the go-to place for clean technology investment, training and job creation through an inclusive and sustainable growth strategy” (Joe Anderson, Mayor, Liverpool City Council, 2019)



Source: Thorp, L. (2019) “Huge £230m new deal for Liverpool aims to create thousands of jobs and homes to transform city’s future”, The Liverpool Echo, 30 July, <https://www.liverpoolecho.co.uk/news/liverpool-news/huge-230m-new-deal-liverpool-16664348>

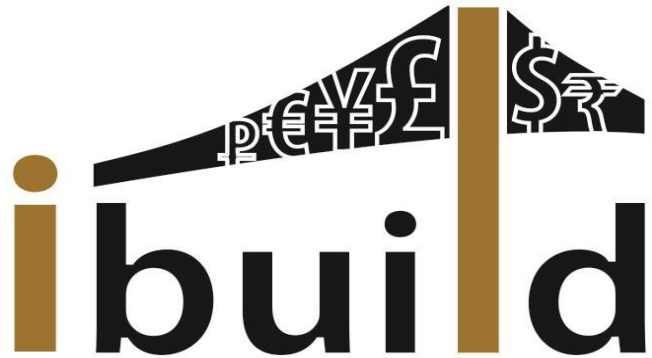
Conclusions...financialising city statecraft I

- Financialising city statecraft under austerity and decentralisation in the UK...
- Reconfiguring the role and nature of the local state as agent *and* object of financialising relations, processes and practices...
- Mixing, hybridising and mutating managerial, entrepreneurial *and* financialised strategies, instruments and governance

Conclusions...financialising city statecraft II

- Public and private actors shape the geographically and institutionally differentiated extent, nature and pace of financialisation over time and space = uneven geographies of city statecraft and urban prosperity
- Need more grounded, measured and balanced conceptions of ‘financialisation-in-motion’ that recognise its social, spatial and institutional constitution, unevenness, implications, and limits

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