on Brett Christophers’ Our Lives in Their Portfolios: Why Asset Managers Own the World

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Limits to Asset-Manager Society

Reading Brett Christophers' *Our Lives in Their Portfolios* is a deeply disturbing experience. When closing the book, it's hard not be moved when one realises at the personal level that the title is literal: when Christophers meticulously dissects asset managers' investment in infrastructure, he explains how our own life is *indeed* caught in their web of valorisation. Housing, water, energy, transportation, healthcare, farmland—in the past three decades, a rapidly increasing share of the material basics of social life is falling into the hands of powerful and sophisticated investors who make the most of value of it. Christophers provides an analytical grammar allowing us to document and understand why it is so, where it is detrimental to the living conditions of the many, and how it contributes to the concentration of wealth among the few.

The first and crucial point that Christophers makes is that *asset-manager society* (AMS) is something very immediate and concrete. Just look around you. In my case, it awoke me to the fact that not only the motorway that I take to visit my parents is partially owned by Macquarie but also that the nursing home where my father lives in central France is part of a group whose main shareholder is the Swedish asset manager EQT. Colisee—this is the grandiloquent brand of the nursing group—is one of the companies controlled by the EUR 15.7 billion EQT Infrastructure V fund launched in 2020. It sits in that portfolio together with Covanta ("A leading sustainable waste solutions provider"), Cypress Creek ("A leading vertically integrated renewable energy platform"), Icon Group ("Asia Pacific's largest integrated cancer care provider"), and other companies intervening in diverse sectors such as transportation, data centres, and EV charging infrastructure.[1]

What do these seemingly very different enterprises have in common with my father's nursing home? Neither the technical aspects of their operations nor a shared political or cultural geography, but a financial return profile: in the words of EQT's website, they "provide an essential service to society, have long-term stable or growing underlying demand,

[1] See https://eqtgroup.com/current-portfolio/funds/eqt-infrastructure-v/ (last accessed 11 January 2024).

predictable cash flows and an asset based, contracted and well protected business model”.[2] During the 5-10 years EQT will maintain its control over those companies, EQT can count on a steady flow of cash. On this stable, almost guaranteed basis, it will apply its “best-practices based value creation playbook” in order to “add value” to those assets before selling them at a higher price.

Distant Control

The key word here is control. Contrary to passive funds that epitomise asset-manager capitalism and that have neither the means not the incentives to monitor the assets they own (Braun 2022; Heath et al. 2022), what unites funds of AMS is control:

> In asset-manager society, the asset manager controls the physical asset. Indeed, such control is definitive of asset-manager society, being integral to its very constitution. It is the asset manager that decides how the asset is commercially exploited: who electricity is sold to, whether road tolls should be increased, how farmland should be tenanted, and so forth. And this is true even where a wholly owned intermediary portfolio company exists; as Blackstone’s Schwarzman said: *You have complete control*. (p. 37)

Control is the essence of AMS, which means that its main operators—the asset managers running those funds such as Blackstone, Macquarie, Brookfield, EQT, and consorts—are a hybrid of financial investors and general managers that lean toward the second pole. The core of this capital’s dispositive is “directly connecting managers—and, behind them, their institutional investors—to a vast, disparate array of vital physical systems of social reproduction” (p.36). As Christophers notes, one implication of this direct embezzlement with essential infrastructure is that such funds cannot pretend to be purely economic actors. On the contrary, “In owning and operating such assets, assets managers increasingly take on the role of quasi-governments (albeit unelected ones)” (p.115).

[2] See https://eqtgroup.com/real-assets/eqt-value-add-infrastructure/ (last accessed 11 January 2024).

This facet of the asset-manager society opens fascinating questions for future research: what are the technicalities of this distant control? What are the managerial skills and tools developed to deploy it? To what extent do they correspond to an advancement of socialisation of what Bettelheim (1975: 56) called *possession*, i.e. an effective control over “the ability to put the means of production into operation”, to set in motion the combination of the workers’ activity, the means of their labour, and the object of their labour? Those are crucial questions that Christophers raises.

Asset-Manager Society’s Valorisation-Distribution Conundrum

The second major contribution of the book is that it provides a proper grammar to assess the distributive impact of AM society. Chapters 4 (“The Costs”) and 5 (“Who Gains?”) are masterfully crafted and allow one to look, beyond the technicalities and the organised secrecy, to the socioeconomic balance sheet of that type of governance architecture. In the absence of publicly available data, the strength of the argument is reinforced by the accumulation of small empirical pieces that corroborate each of the mechanisms analysed and that jointly produce a deeply concerning overall picture.

The processes at stake are highly complex, variegated, and encompass a global geography that Christophers paints in a very precise and nuanced manner, allowing for many subtleties that I cannot render here. Instead, I propose to summarise them schematically in Figure 1. Hopefully, despite the lack of details and the lack of room for distinctive configurations at some levels, it could provide a broad idea of the overall economy of asset-manager society.

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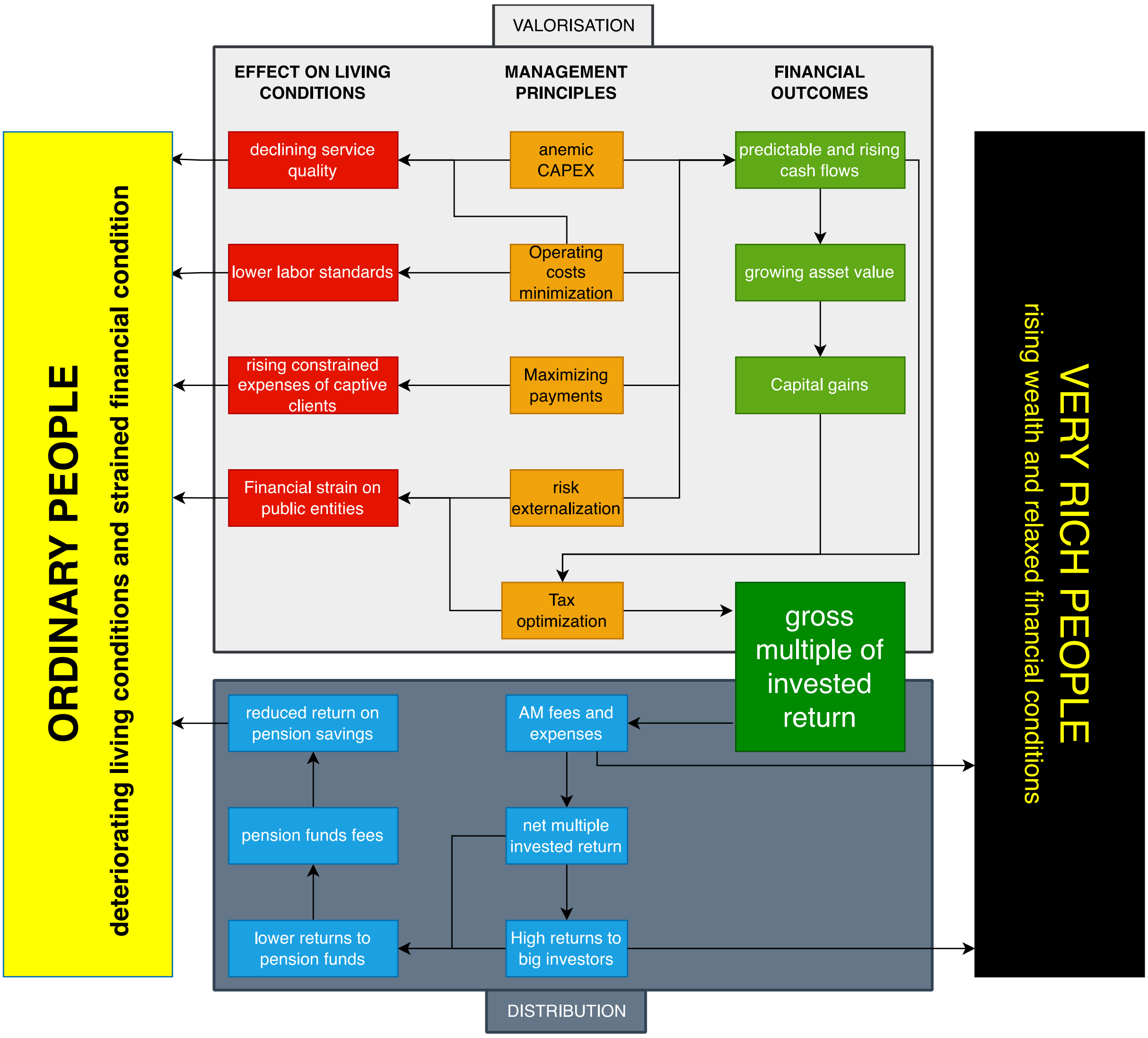

Figure 1: The valorisation-distribution conundrum in Brett Christophers' analysis of asset-manager society

The managerial principles deployed by asset managers (in gold) are driven by the absence (in most of the cases) of long-term commitments with the assets they handle for their clients. Those entail limiting operational expenses and capital expenditures, maximisation of payment for the use of those assets, and externalisation of risk to public entities. The effect on living conditions (in red) are detrimental for the people that use them in terms of degradation of service and higher constrained expenses but also for people who operate them that are under constant cost reduction pressure and for public finance through the legacy of derisking commitments when things prove to be far worse than anticipated. On the other side, those management strategies nurture fund financial gains (in green) both directly through increasing cash flow and, more importantly, indirectly via capital gains at the time of exit.

Those gains are maximised thanks to tax optimisation practices—increasing further the strain on public finance—resulting in a gross multiple of invested return, the flagship performance metric of such funds. Crucially, those generally impressive returns are “the returns generated by the fund, not those received by its respective institutional partners, still less by those whose money those respective partners have put into it” (p.218), in particular not the return received by the nurses and firefighters whose pensions are emphatically presented as the purpose of asset managers’ activities. Indeed, the distribution process is very uneven (in blue). The effective return on the pension savings of ordinary workers will be will much lower, after discounting for the fat fees incurred by asset managers, the preferred returns allowed to bigger investors, and the management fees of the pension fund itself.

Overall, the conclusion of the clinical examination of AMS is unmissable: it results in a degradation of living and financial conditions for ordinary people while very rich people managing the funds or investing in them (such as sovereign funds from Middle East oil-rich countries) experience spectacular gains with limited risks.

The book brings all the analytical insights necessary for investigators or policy makers to explore concrete cases and evaluate accordingly what it takes for communities to rely on such financial engineering.

Faultlines

In the concluding chapter, Christophers dips a toe into the macroeconomics of AMS. He is perfectly lucid about the conjunctural character of its recent dynamics. He thus notes that “the strong growth in housing and infrastructure assets under management in the 2000s turned into very strong growth in the 2010s. A large part of the explanation for this expanded rate of growth … lay in macroeconomics” (p.286). Low interest rates made investment in infrastructure an attractive class of assets and allowed returns to be boosted by cheap leverage. Moreover, in the wake of the great financial crisis, fire-sales of assets offered plenty of opportunities for easy capital gains. Those specific circumstances are gone, and the industry now established cannot rely on them to expand its business and its profitability.

Despite those changes, in Christophers' view the post-pandemic context will see an ongoing interest of investors in this class of assets. There are three prominent reasons for this seemingly bright future: first, the incomes generated by those assets are largely protected from inflation, often by regulation; second, higher borrowing costs impede the expansion of infrastructure thus constraining the supply and supporting the income generated by existing assets; and, finally, the comeback of industrial policy and the new paradigm of international development concurs in providing considerable derisking to infrastructure investment, promising to boost revenues. In the context of green policies, the expectation in the industry is indeed that "Infrastructure is the asset class that is going to capture most of the fundraising for the energy transition" (quoted in Darbyshire and Gara 2023).

Those points seem perfectly reasonable in the short-term as a run for the real, focused on stable income stream and with the protection of dedicated policies, is a perfect match for investors, aligning their aspirations for a direct plug on value appropriation with their aversion to risk.

Less clear are the macroeconomic consequences of AMS. Christophers points to opportunistic and destructive management of assets geared toward short-term returns, on the one hand, and massively anti-redistributive effects, on the other. From the systemic perspective of capital's accumulation this model opens internal fault lines, as poor infrastructure, degraded services, and higher costs could hurt productivity and weigh on effective demand. More directly, this should increasingly expose the industry to political backlash and regulatory changes which could ultimately undermine such a profoundly harmful model. The extent to which the book expands the public conversation in this direction is not the least of its merits.

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