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Reports of my death are greatly exaggerated: The persistence of neoliberalism in Britain

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Abstract

Recent declarations of the end of neoliberalism in the United Kingdom, especially since the Covid-19 pandemic, are underpinned by diffuse and unstructured understandings of the neoliberal state. We argue that state intervention is both necessary and unavoidable under neoliberalism. This article shows that the 'market-based' reforms and the 'rollback of the state' that overtly characterise neoliberalism are heavily reliant upon public policy and entail an ongoing role for state intervention both over time and across economic sectors. Using sectoral case studies of housing and water from within the United Kingdom, we demonstrate, through a tight analytical framing of both financialisation and commodification, the variegated though crucial role of the neoliberal state in restructuring provision to facilitate financialised accumulation and their transformations in

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response to the contradictions, dysfunctions and limitations of neoliberalised social reproduction.

Keywords
Financialisation, housing, neoliberalism, the state, water

The extent of economic intervention by the British Government during the Covid-19 pandemic, its heavy fiscal costs (HOC, 2023) and 'Bidenomics' in the United States led many to declare neoliberalism dead and herald the return of state interventionism (MacFarlane, 2021; Mascaro, 2023; O'Kane, 2023; Rainey, 2021; Tooze, 2021). Robert Peston (2020), a leading television pundit, even claimed that, 'Covid-19 turned [former Prime Minister] Boris Johnson into more Castro than Castro . . . an economy . . . more socialist . . . than at any point in British history'.

Political economy has long exposed such false dichotomies between state and market, highlighting the tensions between neoliberalism in theory, ideology and practice, and the continuing dependence of neoliberalism on the state, generally concluding that 'the so-called "roll-back of the state" is . . . an ideological misnomer for . . . its neoliberal restructuring' (Šumonja, 2021, p. 220; see also Davies, 2014; Fine & Saad-Filho, 2017; Peck & Theodore, 2019). When looking beyond the *fact* of state intervention under neoliberalism to its shifting *nature*, the literature often becomes disconcertingly eclectic. For example, Šumonja (2021, p. 217) claims the state is 'the organising force of neoliberal assault on all political obstacles to the profitability of capital accumulation' and offers a list of what that involves: 'crushing . . . trade unions, cuts in social provision, privatisation of public industries and services, deregulation of financial markets, monetary policies predicated on price stability and so on'. In turn, Peck and Theodore (2019, p. 249) argue that the neoliberal state leads, 'a generalized assault on social-welfarist or left-arm functions, coupled with an expansion of right-arm roles and capacities in areas like policing and surveillance'. For Duncan (2021, p. 3), the state's main role is to reconstitute people as neoliberal subjects through the 'disciplinary technique of responsibilization'. The diffuse understandings of the role of the state in neoliberalism reflect both distinct theoretical perspectives and the variety of functions of states across countries and over time (Laruffa, 2023). Lack of a coherent account of the role of the neoliberal state has reinforced the tendency to declare the end of neoliberalism after any expansion of state spending or newly interventionist stance (Stiglitz, 2008). There is also a parallel tendency to stress the political role of the state creating the background conditions for accumulation under neoliberalism, at the expense of detailed examination of how states (re)produce neoliberal forms of accumulation (Fine & Saad-Filho, 2017; Mudge, 2008; Saad-Filho, 2017; Stedman Jones, 2012). Regulation theory (e.g. Jessop, 1993, 1995) is a partial exception, as it attempts to theorise the role of neoliberal states; however, it is unable to accommodate variation over time and place, largely because its conception of neoliberalism as a regime of accumulation includes a static list of features at different levels of abstraction.

This article identifies two aspects of the role of the British state in (financialised or, for Christophers, 2023, rentierised) accumulation under neoliberalism, which account for neoliberalism's shapeshifting nature. The first concerns the creation of, and support for, opportunities for financial accumulation by extending (different types of) monetary relations to new areas of social provision. In this way, the state has played a constitutive role in processes of financialisation which, in scale and scope, distinguish neoliberalism from previous stages of capitalism. The article shows that the instabilities attached to, and deriving from, these processes have intensified economic volatility and fostered variegated vulnerabilities around each and every element of economic and social reproduction under neoliberalism. The second aspect of the state's role involves the management of the fallout arising from the previous aspect and the effort to contain the dysfunctions engendered by neoliberalism.

In this light, this article, first, identifies precisely economic functions of the state under neoliberalism from the angle of the commodification and financialisation of social reproduction, in contrast with accounts which view the state's role primarily through the political requirements for accumulation. Second, by foregrounding the form(s) of capital accumulation, it sheds light on the dynamics and evolution of neoliberalism in the United Kingdom.

Our account derives from a detailed examination of the roles of Britain's neoliberal state in accumulation in two critically important areas of social provision where, ostensibly, the state was 'rolled back' decades ago: housing and water. We show that the state has driven the restructuring of these sectors fronted by different forms of privatisation and embedding the extraction of financial profits by global capital into the fabric of these systems of provision. Consequently, essential human needs have been turned into financialised revenue streams secured by public institutions and public revenues. The restructuring required to open up these sectors to financial accumulation has made their operations dysfunctional in variegated – but specifically neoliberal – ways. Restructuring also created a role for the state in managing the consequences, including low investment, volatility, periodic crises and provision for the market-excluded. In short, this article offers an original interpretation of how accumulation under neoliberalism has been (differentially) financialised in particular sectors, and how this has been underpinned by the state.

The next section elaborates two key functions of the neoliberal state in theoretical terms. Two subsequent sections examine housing and water. The final section reflects on the implications for debates on transcending neoliberalism.

Neoliberalism, financialisation and the state

Regulation theory offers the most influential attempt to theorise the neoliberal state and its relationship to accumulation, focusing on the transition from Fordism to Post-Fordism. For example, Jessop (2003) characterises this shift through the movement from the 'Keynesian welfare state' to a 'Schumpeterian workfare regime', with the latter corresponding to a neoliberal accumulation strategy including liberalisation, deregulation, privatisation, commodification, internationalisation and reduced direct taxation. Yet, by Jessop's (2002, p. 254) own admission, this type of characterisation relies on ideal-type theorising, which is inevitably partial and unstructured. Given the limitations of this approach, and 'notwithstanding the caveats that were scrupulously issued' (Peck, 2022, p. 176), regulation theory is ill-suited to explain neoliberalism's variegation, instability and continuing adaptations.

In contrast, we see neoliberalism as a stage of capitalism underpinned by, though not reducible to, financialisation. In brief, we distinguish stages of capitalism by the different ways in which the production of (surplus) value is integrated into economic and social reproduction. For example, the stage of capitalism examined by Marx, associated with the production of relative as opposed to absolute surplus value, involved not only reductions in the value of labour power but, also, measures to limit the crudest forms of exploitation, especially limitations on the working day. Subsequently, the Keynesian/welfare stage incorporated extensive state intervention to promote capital accumulation through public enterprise and economic and social provisioning. The neoliberal stage has witnessed the intensified and extensive presence of financialisation in the governance of economic and social reproduction, together with continuing state intervention as such (despite the neoliberal ideology of reliance upon the market).

Financialisation is often defined amorphously as the ever-greater presence of financial institutions, practices, motives and assets in the economy. By contrast, we define financialisation tightly and narrowly as the intensive and extensive accumulation of what Marx called interest-bearing capital, that is, the growth in the ownership and trading of money capital in order to capture a surplus (interest, capital gains, etc) through investments in paper assets, including certificates of ownership of 'real' property and purely financial instruments ('fictitious capital'), rather than using wage-labour to produce commodities for profitable sale. Unfortunately, broader definitions of financialisation tend to conflate what it is with its effects or preconditions, implying that the identification of something as involving 'financialisation' suffices to 'explain' its, usually negative, impacts. In this case, neoliberalism is seen in terms of financialisation being everywhere, in line with greater or lesser influence of commercial motives and calculations (and withdrawal of the state).

For us, instead, what sets neoliberalism apart from previous phases of capitalism is the unprecedented involvement of financialisation in the extraction, circulation and accumulation of surplus value, how this happens and its consequences. The effects of financialisation reach far beyond the growth of a speculative sphere focused on the creation and trading of paper assets or even the commodification of elements of social life. Instead, financialisation has aggressively transformed economic and social reproduction and the relations between them, with the accumulation of interest-bearing capital (as part of economic reproduction) increasingly penetrating, directly and indirectly, social reproduction. Thus, broad notions of commodification and financialisation which have been used to characterise economic and social reproduction under neoliberalism need to be examined carefully in terms of their different forms and content.

The scale and effects of the intensive and extensive accumulation of interest-bearing capital under neoliberalism renders it a leading force in economic restructuring and social reproduction. In contrast with the industrialists, who dominated pre-World War I 'liberal' capitalism, and the alliances between the state and large business that ruled in post-World War II Keynesianism, under neoliberalism the global financial sector, and its interests and practices, tend to encroach over all nodes of economic and social reproduction. This leads to the restructuring of economic and social provision through the expansion of monetary as well as purely financial relations. The relationship between financialisation and the structures and institutions of social and economic reproduction establishes the material basis of neoliberalism as a system of accumulation.

This article identifies two key economic roles played by Britain's neoliberal state. First is the opening up of new areas of social reproduction to financial accumulation. For example, far from being a one-off act of 'withdrawal' of the state, privatisation has invariably required an ongoing role for the state putatively attempting to replicate what is ideologically perceived to be market-like competition through regulation, at least implicitly underwriting future profits. Second, the counterpart to such commodification is that the state must intervene where the market fails or is absented, although these interventions take on distinctly neoliberal forms whilst also contradicting them – most transparently, in the support to finance after the global financial crisis (GFC), and to finance, production, commerce and labour markets during the Covid-19 pandemic.

The distinctive value of our approach is in integrating concrete variations across time and place into a core definition of neoliberalism as a stage of capitalism, in which economic and social reproduction is increasingly restructured through the role played by financialisation. Thus, neoliberalism's variegated and contextually specific evolution can be understood as being driven by tensions derived from, or expressed through, processes of financialisation, their impacts and reactions to them, whether through class struggle or attempts to stabilise the system.

Financialisation and CCFCC

Financialisation is grounded on the expansion of monetary relations underpinned by the state, albeit in differentiated ways depending on activity and context. The expansion of monetary relations can be broken down into two categories (Fine & Bayliss, 2022; Hermann, 2021). *Commodification* (C) refers to regular commercial activity under capitalism, typically the production of commodities for profit *Commodity form* (CF) concerns the movement of money without a corresponding production or circulation of commodities for profit; examples include most state revenues and expenditures, and services charging arbitrary prices including, for example, in the United Kingdom, the (arbitrary) charge for medical prescriptions and (politically determined) university fees.

C and CF can facilitate financialisation, for example, if they underpin streams of revenue that can be securitised and traded as assets permitting the capture of rewards by finance, for example, the sale of the student loan portfolio, in 2017.[1] A third category derives from commodification and financialisation but is distinctive in that money as such is not present: *commodity calculation* (CC) refers to the use of monetary 'market-like' criteria in decision-making, even when relations are not marketised and products do not take the commodity form, for example, in cost–benefit analysis or the valuation of education in terms of human capital (Simmel, 1978; see also Davies, 2014; Haiven, 2014; Jessop, 2015). CC is ubiquitous in financialised economies, where money is driven into our consciousness even when it does not enter our daily practices (Chiapello, 2015; Engelen et al., 2014; Graeber, 2014).

These categories, aggregated as CCFCC, underpin our analysis of the restructuring of social provision under neoliberalism. They provide the field in which neoliberal policies and 'reforms' (marketisation, privatisation, regulation, 'austerity', etc) shift the provision of goods and services from the state to financialised accumulation while, also, promoting behaviours, practices and cultures reinforcing neoliberal social relations. This does not happen in a unidirectional forward march. Although the provision of key basic goods has become more marketised under neoliberalism, this has not been the outcome of a straightforward 'rollback' of the state nor the advance of a simple process of commercialisation. Instead, marketisation has been the outcome of state intervention across all areas of social reproduction, taking place in specific, continuing, variegated, shifting and financialised forms.

Provision and the market-excluded

Neoliberalised forms of provision tend to intensify inequalities and to expose certain groups to variegated vulnerabilities concentrated on the hard to employ, house, educate, provide for in old age, raise out of poverty, provide for health services and so on. Despite neoliberalism's anti-state rhetoric, when the market is absented or fails, pressures inevitably emerge for the state to offer remedies. Common across our case studies is that the state has been expected to resolve anomalies in provision, whether 'undue' benefits (to be cut) or 'undue' harshness (to be alleviated), with shifting perceptions of what is 'fair' or 'tolerable' given ideology, economic constraints and political contestations.

The residualisation of the hard-to-reach through market-based provision supplemented by the state is one example of neoliberal dysfunctions that the state is expected to address. Others include insufficient investment, industrial fragmentation and operational and profitability crises. The case studies show that these circumstances are so significant that state intervention cannot be limited to economic strategy; instead, it must encompass day-to-day operations. The piecemeal and ad hoc nature of the involvement of the British state in social provision has been compounded by growing centralisation of decision-making, which has often limited the ability of frontline providers to deliver, especially local authorities, in addition to the syndrome of responsibility without resources.

As areas of social reproduction have traversed, unevenly, along CCFCC, social policymaking has increasingly become subjected at least to CC, with the state playing a significant role in this transformation and, thereby, transforming itself. In each sector, 'competition' and 'efficiency' have become the mantra of policy reform, eclipsing equity, environmental sustainability, the public good and other goals and fostering a material culture driving the neoliberalisation of everyday life (Montgomerie, 2020). Thus, under neoliberalism, social policy tends to be framed around financial(ised) constraints on public policy, for example, by quantifying the unquantifiable in pseudo-monetary terms (e.g. who is deserving of social security), evaluating the invaluable (what is a minimum standard of life), and prioritising the essential ('we cannot afford it all'), each of them indicative of CC. This is closely associated with public sector management techniques seeking to mimic 'the market' through audit cultures, cost-benefit analysis and performance management (Hood & Dixon, 2015a, 2015b).

Our two case studies have undergone neoliberal reforms in different ways, with the state playing a central role implementing those reforms and managing the sector and the ensuing social conflicts and crises. As such, state interventions have not 'declined' under neoliberalism, but their nature has changed as provision, and the state itself, have been transformed. The case studies demonstrate that these changes can be understood in terms of the extension of monetary relations through CCFCC and the attempts to deal with the fallout due to the financialisation from which they derive.

Housing

Monetary relations, CCFCC, financialisation and the state

The financialisation of Britain's housing system was driven by the expansion of mortgage lending and homeownership, with the state playing a pivotal role in each. Far from passively 'removing constraints' to housing finance, the state encouraged the expansion of housing credit and securitisation through regulatory changes and subsidies (Oren & Blythe, 2019; Wainwright, 2009). As a result, the ratio of mortgage debt to income increased from under 25 per cent to over 100 per cent between 1980 and 2008 (Bank of England, 2021; Grafe & Mieg, 2019).[2]

The presence of mortgages as such is not financialisation, merely being the CF of relying on credit for house-purchasing; however, trading (bundles of) mortgage obligations as assets is financialisation. In the United Kingdom and elsewhere, the parallel expansion of the demand for mortgages and collateralisable housing assets was driven by the winding down of state provision and the subsidised transfer of state-owned social housing to tenants (Robertson, 2017). In England, 1.8 million council-built and owned properties were purchased under 'Right to Buy' between 1980 and 2014, while the number of dwellings owned by local authorities declined from 5.1 to 1.7 million (CLG, 2015). The transfer of ownership of existing housing implied a shift from one CF (social rent) to another (purchase, generally with a mortgage, with potential rents to follow in secondary markets). Therefore, erstwhile social housing went from being shielded from the logic of profitability to being governed by it, eventually becoming a site for value extraction by (securitised mortgage) finance, private rentals and speculative capital gains. This process complemented the imposition of restrictions on local authority housebuilding, and growing reliance on for-profit housebuilders, which acquire land and build for sale, dramatically increasing the commodification or, more exactly, the CF (other than for new build) of the housing system.

The availability of cheap finance fed long-term increases in house prices (i.e. capitalised rents or capital gains); house prices in Britain rose by 7 per cent per year for thirty years after 1980 (ONS, 2016). These price increases encouraged investment-driven demand inducing, and induced by, inflows of international capital. These flows allowed house prices, especially in London, to be drawn from the global pool of (surplus) value, rather than being limited by local factors. The symbiotic relationship between mortgage finance and house prices supported the intensive accumulation of interest-bearing capital through the repackaging of claims to future mortgage payments into residential mortgage-backed securities traded on international markets (Robertson, 2017). Hence, securitisation turned homes into liquid financial assets and converted rents into fictitious capital.

The sale of large tracts of state-owned land to the private sector and their transformation into financial assets created pressures for land use to be determined by exchange value rather than use value – a shift from non-commodity to CF. The state played a key role in these processes, by privatising public lands (reversing historic trends of acquisition) and by regulating property rights, housebuilding and housing finance (Bradley, 2021; Christophers, 2017).

The extension of monetary relations into housing through shifts along the CCFCC spectrum paved the way for the form taken by the financialisation of housing production, C, although newbuilds are embroiled in financial processes detached from production. Given the scarcity of developable land in the United Kingdom, the business model of speculative housebuilders revolves around the perpetuation of scarcity to lift prices and facilitate rent capture. Instead of building as many houses as possible to profit from production upon their sale, housebuilders often seek to maximise the uplift between the price paid for land (before build) and the price for which it is sold (after build), with housebuilding itself becoming merely an intermediate step. In doing this, they have incentives to limit both construction and sales in order to raise prices, and to sit on land in rising markets (Ball, 2003; Edwards, 2015). These strategies raise the rents and capital gains feeding securitisation and financial extraction. The ensuing gains lure additional finance into housing, perpetuating scarcity and driving price bubbles.

The financialisation of housebuilding intensified after the GFC. Archer and Cole (2014, 2021) show that, since 2008, financial investors have extracted more capital from the industry than they put in. For example, between 2010 and 2017, the output of new homes grew by 70 per cent, while housebuilder revenues grew by 178 per cent and pre-tax profits by 703 per cent; in turn, dividends increased both absolutely and as a proportion of profits. The post-GFC wave of housing financialisation extended to private rentals. The forerunner was purpose-built student accommodation, with student housing real estate investment trusts (REITs) growing enough to be listed on the London Stock Exchange (LSE) (Sanderson & Özogul, 2022; Savills, 2015). Britain has experienced a growing build to rent sector, where institutional investors such as REITs and pension funds convert or build property for rent. This sector's pipeline grew by 478 per cent between 2013 and 2018, and its market share is expected to reach 13 per cent by 2026 (Savills, 2018, 2022).

None of this could have occurred without government interventions to make new markets, create new asset classes and drive financial investment towards the rental sector. Key policies included new instruments to securitise rental properties; guarantees for capital market financing; public subsidies (e.g. the £1.1bn build to rent fund, in 2013); regulations removing the need for planning permission from office to residential conversions; legislation allowing REITs and exemptions of finance from capital gains tax (Beswick et al., 2016; DCLG, 2012; Nethercote, 2020).

The state is also encouraging the financialisation of social housing, primarily through the removal of protections that shielded it from the logic of financialised accumulation. First, cuts to housing association grants forced providers to become almost entirely self-financing. Second, a rule change in 2010 made it legal to profit from social housing, leading to the rapid growth of for-profit registered providers of affordable housing. Finally, the introduction of fixed-term tenancies and the redefinition of affordable rents as 80 per cent of market rent increased the scope for profit extraction (Beswick et al., 2016; Christophers, 2022; Savills, 2021). Unsurprisingly, housing associations became increasingly integrated into financial markets, with their capital market funding rising from under £1bn in 2010–2011 to over £4.1bn in 2014–2015. This inevitably shifted the values and operation of housing associations, with demand increasingly taking precedence over need (THFC, 2016, p. 32; Wainwright & Manville, 2017).

In short, the financialisation of housing has primarily been attached to CF, given the dominance of mortgages of already-produced housing. This has profoundly influenced the (level of) building, C, enabled by state intervention, not least through undermining the roles played by social housing (especially the sale of council housing), that is, CF, although this has been, partly, reinstated by rewarding the buy-to-rent sector through the expansion of housing benefit, which passes through the hands of tenants to landlords (see below).

The state and market fallout

The British state has played a vital role facilitating the penetration of finance into housing provision and sustaining accumulation within it. This inevitably requires managing the dysfunctional consequences of financialised provision, most strikingly through measures to contain the collapse of housing markets and the wider financial system after the GFC. More generally, this role includes regular interventions to support house prices and mortgage lending, including the ironically named 'Help to Buy' scheme designed to kickstart the housing market after the GFC by providing first-time buyers with loans. This scheme has been criticised for inflating prices and, ultimately, making it harder to buy, while increasing the profit margins and share prices of housebuilders (Archer & Cole, 2014, 2021; Hammond, 2022).

The dominant vehicle for the financialisation of UK housing has been mortgage-financed owner-occupation, but this has given rise to countertendencies centred on those whose needs cannot be met on the market, though how and to what extent is contextually driven. In particular, despite the low interest rates between the GFC and the Covid-19 pandemic, rising prices in a sector awash with credit created an 'affordability gap' (Byrne, 2020), which helps to explain the contraction in homeownership from 71 per cent of households, in 2003, to 65 per cent in 2019–2020 (HoC, 2021a). The simultaneous privatisation of large swathes of social housing pushed many households into costly rentals: the counterpart to the state's retreat from direct provision was a ballooning housing benefit bill, rising from £11bn in 1999–2000 to £20bn in 2009–2010 (HoC, 2021b). In other words, investment in a publicly owned asset available on the basis of need was replaced by benefits to tenants, a transformation in the CF attached to housing supporting financialisation. These benefits accrue to the landlords, subsidising private ownership, fuelling house-price increases and boosting the rents and financial assets attached to them.

Under post-GFC 'austerity', the British government legislated to limit the housing benefit bill. Measures included reducing and, later, freezing rates; requiring social landlords to reduce rents by 1 per cent each year between 2016 and 2020; capping benefits; reducing entitlements for young people; and introducing an under-occupation deduction (the 'bedroom tax'). They slowed the growth of expenditures (notwithstanding rising claims during the pandemic), but they had knock-on effects on homelessness and on local authority budgets: for every £1 saved by the central government on housing benefits, local authority spending on temporary accommodation increased by 53p (Fetzer et al., 2020). Interest rate rises since the pandemic have generated demands for mortgage support to those experiencing large increases in repayments, which the government has resisted, while 'encouraging' lenders to show forbearance to those struggling (Bell, 2023).

The contradictory role of the state, driving the incorporation of housing into financial circuits along (and within each aspect of) CCFCC, *and* having to manage the fallout, is reflected in tensions between branches of government. Responsibility for housing those excluded from Britain's commodified and financialised housing system falls to local authorities, but their capacities and funding have been drastically reduced. Prior to the GFC, this tension was absorbed by third-sector bodies that either took over social housing and management responsibilities from local governments or outsourced them to the private sector (Pawson, 2007). Under pressure of 'austerity', local governments reduced provision further, while the supporting third-sector bodies either contracted, folded or scrambled to fill the gaps. Just as perversely, Beswick (2021, p. 17) and Dagdeviren and Karwowski (2021) show that post-GFC austerity drove local governments towards further financialisation. For example, several councils have engaged in 'financialised municipal entrepreneurialism', by partnering with finance to build housing for sale and use the revenues to fund services or even running a market for inter-council lending and borrowing.

In summary, the neoliberal state has driven the financialisation of housing in Britain. This has led local governments to shift, gradually, from providers of decommodified housing to the working-class, to overseers of third-sector and private organisations and even to financialised entrepreneurs and bankers. At the level of central government, the shift is not just that housing benefit must provide for the market-excluded, but that access to housing benefit has become increasingly determined by CC, with questions of who is entitled to what being formulated in terms of cost rather than need. The same goes for planning and land use, where policy is increasingly determined by CCs privileging financialised rent extraction over use value (Christophers, 2017, 2022).

Water

Monetary relations, CCFCC, financialisation and the state

The water sector in England and Wales was privatised in 1989, when the regional water and sewerage companies were floated on the LSE. These flotations were heavily subsidised by central government, and the overall fiscal gains from privatisation were nil (Ofwat/DEFRA, 2006). In contrast, the share prices of these companies increased rapidly, that is, pure C insofar as production of water services provided a stream of revenue that could be securitised and deployed as such in financial dealings. As with other privatisations in the United Kingdom, the initial shareholders were a dispersed set including many customers, and the government retained a ‘golden share’ of 15 per cent of voting rights. When the government shares were finally sold, in 1994, there was an immediate move towards concentration.

While the initial investors tended to be American, European and Asian infrastructure firms, financial investors began to take over from 2003. Given their large cash balances, low debt and secure revenue streams, the water companies became prime targets for financial investment and corporate buyouts. Currently, in England, water is provided by 15 water and sewerage and smaller, water-only companies. Only three were still listed on the LSE in 2023 (Severn Trent, United Utilities and South West Water, which is owned by Pennon Group PLC). Another three were delisted and are owned by Asian conglomerates (Northumbrian Water, Wessex Water and SES Water). The remaining nine are owned mainly by private equity investors via special purpose vehicle companies, and ownership stakes are traded regularly (Bayliss et al., 2022).

The entry of private equity investors into the water sector reflects their increased role in the British economy (Appelbaum & Batt, 2014). Their presence went largely unnoticed; however, the new owners have been associated with the radical restructuring of corporate finances to boost shareholder returns via financial means, primarily by raising corporate debt. In particular, water company licences require them to maintain investment-grade credit rating, which limits their ability to borrow. In order to facilitate financial extraction, some investors opted to raise company gearing (the ratio of net debt to capital) through complex securitisation structures via offshore jurisdictions, which would eventually bring severely adverse consequences for company finances in some cases.

Industry debt was low after privatisation, but it rose rapidly in the 2000s. Total net debt exceeded £60bn in March 2022, while the average gearing reached 68 per cent (Ofwat, 2022; in 2020, Thames Water had a gearing of 86 per cent, and Anglian Water of 82 per cent; Moody’s, 2021; Plimmer, 2021b). In addition to raising debt, in part to fund their own acquisition, the water companies have paid dividends of £72bn since privatisation, alongside generous remuneration for directors (Horton, 2022). Recently, however, rising interest rates severely strained these highly indebted companies. In June 2023, Thames Water, England’s largest water company, was reported to be in dire financial difficulties due to the costs of servicing its £14bn debt, and these challenges have yet to be addressed (Plimmer et al., 2023).

In summary, the water system has been restructured by the state, in order to generate a stream of returns to (mostly financial) capital, funded by consumer revenue, while investors have taken advantage of the security of the revenue stream provided by the essential nature of water to put together an extractive financial architecture to their own benefit. This restructuring has involved an ongoing, though shifting, role for the state in regulating privatised water to balance the competing pressures of sustaining financial extraction and meeting (changing and contested perceptions of) social need and environmental protection.

On the one hand, then, the water companies essentially produce surpluses at a profit, C, that underpin financialisation. On the other hand, as discussed in the next section, they do so in the context of continuing complexities (CF and CC to regulate provision through various requirements, systems of punitive fines and trade-offs between costs and polluting) involving detailed and shifting state intervention around their pricing, financial conduct, social tariffs and their responsibilities for the environment, something that at the time of writing became a prominent source of unfavourable publicity in light of endemic sewage leaks and heavy profit-taking through over-indebtedness.

The state and market fallout

Three regulatory agencies govern water provision in England; the Drinking Water Inspectorate, the Environment Agency and the Water Services Regulation Authority (Ofwat) that focuses on the economics of supply. Other state agencies also have a say in operations, especially the Competition and Markets Authority (CMA). Sectoral policy has been framed by the perception of the water system as an imperfect market, which is reflected in Ofwat's mandate to protect consumers by promoting/mimicking competition and regulating prices (Ofwat, n.d.).

Every five years, Ofwat sets maximum tariffs based on a formula known as 'RPI-X', where prices increase by a measure of inflation adjusted for a factor, X, which is derived from anticipated costs including investment costs, and performance against previous targets. These price controls have been presented as the outcome of an independent process balancing the interests of investors and consumers, limiting companies' monopoly power, compelling them to raise productivity and offering firms incentives to pursue social and environmental goals (NIC, 2019). However, regulation is unavoidably embedded in complex and contested social relations framed by neoliberalism. In particular, until recently, regulation prioritised stability and investor confidence and avoided addressing company practices securing shareholder returns through financial engineering and the accumulation of debt to fund dividend payments, which were misleadingly presented as 'market outcomes' (Bayliss et al., 2022).

Ofwat eventually took steps to curb predatory practices, requiring companies to demonstrate 'financial resilience' from 2015. However, this regulatory response was too little too late, taking effect long after securitisation had begun, and after some investors had already sold up. Moreover, the CMA partially upheld an appeal by four companies against the 2019 Price Review, on the grounds that tighter rules would not generate sufficient finance for investment and would be a departure from established regulatory practice (CMA, 2021). However, there is no guarantee that revenue from increased prices will not disappear into complex corporate ownership structures.[3] The tensions between the CMA and Ofwat illustrate the contestation surrounding the financialisation of infrastructure in Britain, with state agencies chasing distinct if not conflicting goals (e.g. regulating shareholders or attracting investment), *because* the state plays the dual role of both facilitating financialisation from the full commodification of water and managing its consequential dysfunctions.

Shifting goals and means to achieve them have led water regulation to become increasingly complex. The 2019 Price Review generated thousands of pages in company, regulator and consultancy reports and, for the first time, one Price Review overlapped with the next, as the 2024 Review started before the previous one had been completed. The costs of meeting regulatory requirements have spiralled, as firms and the regulator draw on legal and consultancy services to support the negotiations. Water companies say they spent three years and £140m on the 2019 Review, aside from the costs of maintaining water quality and addressing environmental impacts (Plimmer, 2021a). This shows that, far from privatisation being a 'retreat of the state', the public sector continues to play an intricate set of roles in the provision of essential services. Yet, the state has also set up a regulatory framework that is acknowledged even by the UK National Infrastructure Commission to be biased towards profit-extracting investors rather than consumers (HoC, 2015; NIC, 2019; Ofwat, 2017, p. 2); this is CC in support of C.

Inevitably, the failings of regulation have been coming to light, as water companies are criticised for low investment, leakage rates averaging 20 per cent, and record levels of pollution, as well as excessive profit extraction and financial fragility attached to over-indebtedness. Characteristically, the regulator has been slow to respond. In July 2023, it was announced that Ofwat would gain powers to stop the payment of dividends if they would risk the company's financial resilience (Ofwat, 2023). Thus, the state's willingness and ability to curb extraction is both limited and curtailed by cumbersome practices, in contrast to the agility of private finance.

Household-level effects manifest very differently for water and housing at two levels. First, while growing numbers are simply denied access to housing (and preferred tenure of owner-occupation), English households cannot be disconnected from the water network for non-payment, even though one-quarter of consumers have reported difficulties paying their bills (Bayliss et al., 2020). Nevertheless, consumers must continue to fund the financialisation of water; around £1.8bn was paid in dividends each year between 2007 and 2016, plus £1.4bn in annual financing costs (Bayliss & Hall, 2017). Second, while the state intervenes directly to support the hard-to-house, the poor must be supported by the water companies through a lower 'social tariff'. These tariffs (differing for each company) must be cost-neutral, meaning that revenues must be balanced, for example, by lower debt recovery costs. Moreover, since the social tariff is funded by other residential bill-payers (non-households are excluded), the subsidies must be acceptable to other customers. This is assessed through a consultation over 'suitable beneficiaries' and appropriate social tariffs which, by construction, promotes judgements about 'deserving' versus 'undeserving' poor (Bayliss, 2017). Beyond company-level social tariffs, affordability issues must be picked up by the wider benefit system.

In summary, social policy in water is structured by a notion of 'fairness' in which everyone must pay for what they consume, and affordability is addressed via (indirect and conditional) handouts from better-off to poorer households, which is closer to charity than to progressive redistribution (Bayliss et al., 2020). This system smooths some edges of the financialisation of water, but the fundamental inequity remains; households must pay into a system engineered to transfer millions to directors and billions to shareholders, backed up by legislation allowing utility providers to apply for householders' universal credit payments to be deducted by up to 5 per cent to pay for water, gas and electricity, plus 10–20 per cent for rent (UK Government, n.d.).

Complex regulatory interventions to address social and environmental failings have not entirely aligned with the sector narrative of 'mimicking markets', which sits somewhere between CF and CC (calculating what may be charged, and how, and revenues flowing accordingly – but it is C that has to be guaranteed, that is, streams of profits from water provision, themselves subject to financialisation). Regulation has also failed to protect the environment. In 2023, the United Kingdom experienced devastating outpourings of raw sewage into rivers and seas, largely because of regulatory neglect; storm overflows were not monitored, companies had underinvested, funding for the Environment Agency had been slashed and the number of prosecutions against companies had fallen (Colbert, 2022). Now bills must increase to finance investment, but transparency has been compromised by corporate complexity, and a large share of company revenue goes to servicing debts built up in part through financialised extraction (as much as 28 per cent in the case of Thames Water, Aguilar Garcia et al., 2023). There is no guarantee that the additional revenue from price increases will reach frontline operations and not leak away into payments of loan interest and dividends to (mainly offshore) shareholders. In short, water privatisation in Britain has progressed through a mixed spectrum across CCFCC, with C and corresponding financialisation underpinned by the state to the fore.

Conclusion

There is a growing body of sectoral studies of neoliberalism and financialisation in the United Kingdom and beyond. For example, Vernon (2021) reviews the transition to neoliberalism at Heathrow Airport; Haines-Doran (2022) shows that rail privatisation has involved more government intervention than under nationalisation; Bayliss (2022) and Bayliss and Gideon (2020) examine the neoliberalisation and financialisation of health and social care; Fearn (2023) shows that the UK energy system focuses on the protection of private companies rather than users; Ward (2020) examines the process of financially 'liquefying' the Port of Liverpool; Dearden (2023) demonstrates how pharmaceutical companies have been aided and abetted by the state; and Dagdeviren and Karwowski (2021) trace the financialisation of Local Councils under neoliberal 'austerity'. These studies help to contextualise different aspects of social and economic reproduction under neoliberalism in the United Kingdom.

This article contributes to this literature by highlighting two centrally important roles of the state across the 'age of neoliberalism': creating and sustaining opportunities for financialised accumulation by extending CCFCC in provisioning; and managing 'market failures' and insufficient provision to those deemed 'deserving' through shifts along the CCFCC spectrum, both to sustain financialised profitability and to address social reproduction. Our case studies highlight changes in the nature of the British state, with enabling and regulatory functions displacing direct provision within an increasingly financialised framework.

This approach suggests that the GFC and, more recently, the Covid-19 pandemic did not bring about either a 'retreat' of neoliberalism or the 'return of the state', for the state had never gone away, nor was the state ever 'rolled back' in any meaningful sense. Instead, the trajectory of neoliberalism in Britain is one of gradual adjustments and fine-tuning of public policy around an increasingly financialised political economy. In this context, the GFC and the pandemic led to largely marginal adjustments in modes of regulation, financing and accumulation along the lines of earlier (neoliberal) policies and initiatives. In effect, the British state's pandemic response represented neoliberal crisis management *par excellence*, rather than a 'retreat' from neoliberalism, since it involved the state sustaining the financialised relations on which neoliberal accumulation depends while, at the same time, addressing a web of potential dysfunctions, whether critically threatening financialised accumulation or through instabilities in social reproduction.

In this light, the significance of our analysis is four-fold. First, it traces the neoliberal reforms and the financialisation of two key sectors for social reproduction where, allegedly, the state was 'rolled back' decades ago. Second, it enriches understandings of the role of the British state in supporting capital accumulation highlighting, in particular, its increasingly financialised nature and its constitutive role in neoliberal reforms. Third, it stresses the economic functions of the state under neoliberalism, in contrast with perspectives focusing on political imperatives or the rise of authoritarianism. In doing so, this article stresses that the state has *not* retreated either under neoliberalism or after the pandemic, nor has it expanded, other than unevenly and in new forms. Fourth, deploying these together, and demonstrating that intervention to address anomalies in provision and crises is a core function of the neoliberal state, we provide a framework for understanding responses to the variegated nature and sources of policy and the challenges in terms of posing alternatives.

In this respect, there are important lessons from the experiences of the GFC and the pandemic. Far from straightforwardly heralding the return of the state to which more progressive options can be welded (e.g. fiscal expansion, the return of industrial policy or the renewal of interventionism more generally), these 'new' initiatives need to be unpicked in terms of their variegated reflection of neoliberal imperatives, through which pressure points can be identified to promote change.

As our case studies have shown, how tensions arise and how they are addressed, and with what outcomes, cannot be satisfactorily broached through blunt appeals to (combatting) the global, the neoliberal and the financialised corporation. In short, it is not whether the state intervenes under neoliberalism but how, with the need for alternatives to contest the material cultures associated with financialisation in all of its forms, whether as commodification, commodity form or commodity calculation.

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Notes

1. Interest-bearing capital and securitisation can be traced back several centuries (Buchanan, 2014). However, neoliberalism is uniquely based upon the *extensive* and *intensive* reach of

such securitisation into economic and social reproduction (Fine, 2022). For the sale of student loans, see https://www.nao.org.uk/reports/the-sale-of-student-loans/
2. Kohl (2021) shows that the explosion of mortgage finance has not led to a proportionate expansion of housing supply in 17 advanced economies.
3. In their submission to the appeal, Ofwat (2020, p. 3) stated that, 'we can have no confidence that . . . higher returns will translate into investment services for the benefit of consumers and the environment'.

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