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THE WORTH OF WELFARE

Who Benefits from Market Models in the Public Sector?

In recent years, a lively debate has occurred around the Swedish deregulation of welfare sectors such as education, healthcare, childcare, and care of the elderly. Prompted by new headlines referring to "large profits in the welfare sector" and "welfare billionaires," Swedish citizens have begun to ask how their tax money could be generating personal wealth for a select few while public services struggle to stay afloat.[1] If room exists for huge profits to be made in the privatized welfare sector, does this mean that the publicly run services are inefficient? Or is the quality of services compromised in the profit-run companies? Where are these revenues coming from?

In increasing their shares of the healthcare sector, private healthcare companies such as Capio, Attendo, Aleris, and Humana have simultaneously increased their profits.[2] In education, the four largest corporate groups—Academia, Engelska skolan, Thorengruppen, and Kundskapsskolan—together made 1.3 billion SEK (Swedish crowns) in profit during 2021 and over 4.6 billion SEK over the last five years.[3] Over the last ten years, we have seen a similar privatization of municipally owned housing. While companies in health and education strategically establish themselves in affluent areas, servicing healthy and well-educated inhabitants, housing transactions have primarily occurred in poorer and socioeconomically weaker areas, that in addition also have badly maintained building stocks. What are the incentives to invest in these buildings? The simple answer is that the marketization of housing has allowed for increases in property values that have not only given new opportunities to borrow more money for new acquisitions, but also meant higher returns for the companies, as the increased value could be reported as profit. Many municipalities are thrilled by the opportunity to fund new investments and other parts of their operations, and at the same time to get rid of the burden of maintaining a run-down building stock.[4] Despite lofty promises of long-term strategies with sustainable and affordable renovations, private real estate companies have been quick to sell to other companies—often international venture capital companies with headquarters somewhere far away—at large profits.

One Swedish company that assures us that it is in it for the long run is the private company Samhällsbyggnadsbolaget i Norden, SBB, which is a listed corporation that owns buildings in Sweden, Denmark, and Norway, whereof a majority lies in so-called "welfare buildings" while the rest is in housing.[5] SBB's model is simple: buy buildings from municipalities that need to free up capital for other expenses or investments, then sign long rental agreements with the same municipalities. The risks are almost non-existant, as the tenants are stable and public tax money ensures that the payments will be made. The opportunities for value increases are enormous.[6] The most spectacular example of SBB's expansion is perhaps the

1 Academia's return on equity is 13.2 percent which is comparable to SEB, one of Sweden's largest banks. This debate has taken place in a recent series of articles, for instance "Välfärds-miljonärerna," published in the daily newspaper *Dagens Nyheter* during the summer of 2022 and as a three-part podcast. See Björn af Kleen, host, Välfärdsmiljonärerna (podcast), August 5, 2022, https://www.dn.se/sverige/valfardsmiljardarerna/.

2 Margaretha Levander, "Vårdjättarna ökar sina vinster," *Dagens Samhälle*, June 8, 2017, https://www.dagenssamhalle.se/samhalle-och-valfard/sjukvard/vardjattarna-okar-sina-vinster/.

3 https://www.svt.se/nyheter/inrikes/skolvinsterna-4-6-miljarder-pa-fem-ar.

4 "Alby är inte till salu" ("Alby is not for sale") is perhaps the best-known public critique of this development, for which the tenants of public housing in Alby, in Botkyrka municipality outside of Stockholm, organized themselves to protest the municipality's sale of public housing to private companies, around 2012.

5 Andreas Cervenka, *Girig-Sverige* (Stockholm: Natur och Kultur, 2022), 117. SBB has quickly become the fifth largest real estate company in Sweden, see "Största fastighetsägarna 2022" ["Largest property owners"], *Fastighetsvärlden*, March 30, 2022, https://www.fastighetsvarlden.se/analys-fakta/topplistor/storsta-fastighetsagarna-2022/.

6 During the last five years, SBB raised the values of their building stock with a total of 29 billion SEK. Cervenka, *Girig-Sverige*, 118.

Sara Culture House in Skellefteå in northern Sweden. SBB bought the building complex, which was initiated and constructed by the municipality of Skellefteå and also includes a hotel and apartments, in 2018 for 1 billion SEK whereafter the municipality signed a lease contract worth 45 million SEK per year for 50 years.[7] The calculations do not add up in the municipality's favor, as the total bill after 50 years will be more than 2 billion SEK. Skellefteå had its specific reasons to free up capital for other investments and it is difficult to make a general judgment regarding their choice. What is clear, however, is that what we see all over Scandinavia is a massive transfer of wealth from the public to the private sector. In 2020 alone, welfare buildings were sold in Sweden for 40 billion SEK.[8]

After its founding in 2016, SBB grew rapidly, and in 2021 it was Sweden's fifth-largest real estate company with a total value of properties of 149 billion SEK, an increase from 90 billion SEK the year before.[9] With the recent rise in inflation and interest rates, SBB's business model has proved to be extremely vulnerable, as a majority of the rapid acquisitions have been financed through loans based on newly raised property values. During 2023, SBB was forced to sell buildings for about half of its total value and today continues to sell off their "welfare buildings" to other private companies, but also, increasingly, to municipalities that now "buy back" buildings such as schools, nursery homes and homes for elderly. SBB continues to have problems with short-term liquidity and long-term overindebtedness, and financial experts believe that the company needs to bisect its property holdings once again to reach a feasible balance.[10] Although there has been a public debate about the political morale and economic advantages of selling—and now buying back—public buildings, the current situation has not changed the reasoning around welfare policies or the practices of welfare. One of the main arguments for selling has been that it is good public management to distribute the risks of ownership to other, private actors, who are also thought to be more efficient as real estate owners. Although SBB is now blamed for its risky behavior, the general verdict is that it is not the privatization of public property or the marketization of building management that is the problem, but the risks taken by SBB in expanding faster than their economic gains.

The recent privatizations point to a condition in which citizens are misled to believe that publicly run companies and welfare are a burden that need to be slimmed, reformed, outsourced, or abandoned. How have we arrived at this conclusion? This text focuses on the ownership and management of public buildings, through a closer investigation of the state-owned real estate company Akademiska Hus, and argues that the models and rationales behind our current welfare allocation and distribution could be revealed in the financial and managerial instruments that are employed in publicly supported operations. Such instruments not only succeed politically in initiating deregulation and marketization, but arguably push the objectives of welfare policies beyond the interest of individual citizens and the common good. Although the worth of welfare is always under negotiation, and such negotiations in turn form both the means and ends of many policies and programs, few public explanations are given regarding how changes in *means* affect the final *worth* of our welfare society. The following is an attempt to provide a description of current welfare logics.

7 Marcus Derland, "Skellefteå om affären med SBB: 'Ska finnas ett större syfte'" ["Skellefteå on their Deal with SBB: 'There should be a greater purpose'"], *Dagens Nyheter*, August 8, 2022, https://www.dn.se/sverige/skelleftea-om-affaren-med-sbb-ska-finnas-ett-storre-syfte/.

8 Cervenka, *Girig-Sverige*, 120.

9 Mårten Arwidsson, "LISTA: Här är landets största fastighetsbolag 2022," *Fastighetsnytt*, June 15, 2022, https://www.fastighetsnytt.se/ekonomi-och-finans/finansiering/lista-har-ar-landets-storsta-fastighetsbolag-2022/.

10 "Affärsvärlden bedömer SBB kan behöva halvera fastighetsbeståndet ytterligare en gång," *Affärsvärlden*, November 14, 2023, https://www.affarsvarlden.se/aktierekar/affarsvarlden-bedomer-sbb-kan-behova-halvera-fastighetsbestandet-ytterligare-en-gang.

School of Architecture of the KTH Royal Institute of Technology, Stockholm, Sweden. Built 2013–15. Architects: Tham & Videgård.

Akademiska Hus owns, develops and manges properties for universities and colleges. It is the largest company in this real estate segment, and currently the sixth largest overall in Sweden. In September of 2015, Akademiska Hus announced that it would be paying a dividend of 6.5 billion SEK to its shareholder, the Swedish Government—1 billion SEK more than the company's yearly revenue from rentals. This is after the government had given new owner directives and instructed Akademiska Hus to raise the value of its properties by 5 billion SEK. Behind the directives was the government's demand that the company lower its solvency in order to achieve a more "efficient capital structure."[11] The announcement led the leaders of Swedish universities to protest the government's new owner directive, which had been harshly criticized even before the change.[12] Critics talked about a "covert taxation" of higher education, as an increasing part of the state budget allocated to higher education would now go directly to rent, in turn leaving less and less money for the core activities of education and research.[13] Akademiska Hus assured its tenants that the extra payment to the government would not affect the company's rents, and that they instead borrowed money for the dividend.[14] The statement could certainly be questioned, as reassessments of properties' value, whether up or down, normally influence the rents correspondingly. Although there were no immediate rent increases that could be directly tied to the special payment of 2015, the increase of building values created an opening for sharper increases of rents in the future.[15]

In 1993, the existing state premise provider, the National Board of Public Building (Kungliga Byggnadsstyrelsen, KBS), the governmental agency in charge of providing premises by maintaining existing buildings, renting out spaces, and constructing new buildings,[16] was dissolved and its duties reconstructed in three different entities: the National Property Board (Statens fastighetsverk), which administers historical buildings, land, and state properties abroad; Vasakronan, which is a strictly commercial property owner that primarily rents out commercial spaces for office and retail, and up until a few years ago the largest real estate company in Sweden; and Akademiska Hus, which according to the owner directives should "own, develop and manage properties for universities and colleges, with a primary focus on educational and research activities."[17]

The division into three "enterprises" should firstly be seen in the light of an attempt to clarify the economic strategies of the state's dealings with building rentals, building maintenance, and building construction, in which the directives for Akademiska Hus are clear: "The company's operations shall be carried out in a business-like manner and yield competitive profits by adapting our rents to the company's business risk."[18] From this perspective, Akademiska Hus is actually doing a great job of fulfilling its mission and delivering what it is asked to and more. However, the risks involved in providing premises for universities would seem very low compared to renting to other tenants. This risk is reduced further, as Akademiska Hus has a privileged position as the foremost provider of such premises, owning around 60 percent of the market share.[19]

From the citizens' point of view, the core of the problem is that less of the tax money allocated for education and research is going to these central functions of higher education, and is instead being used for the universities' so-called "overhead" expenses. In the

11 The Government issued new directives to Akademiska Hus in 2014 that strengthened the strict business management of the company and set a new solvency benchmark of 30–40 percent. Prior to the special dividend on October 2015, solvency was 48 percent, and after around 39 percent.

12 Rectors/Vice Chancellors at 30 Swedish universities and colleges published an article stating that "the state is draining the universities." See "Staten dränerar universiteten" [The state is draining the universities], *Dagens Industri*, October 15, 2015, https://www.di.se/artiklar/2015/10/15/debatt-staten-dranerar-universiteten/.

13 See, for instance, the article by Stellan Lundström, response by Kerstin Lindberg Göransson, and interview with Stellan Lundström: Stellan Lundström, "Högskolesektorn smygbeskattas via Akademiska Hus" [The covert taxation of the tertiary education sector by Akademiska Hus], *Fastighetsnytt*, October 28, 2014; Kerstin Lindberg Göransson, "Replik: Akademiska Hus" [Response: Akademiska Hus], *Fastighetsnytt*, October 30, 2014; and Christer Gummesson, "KTH:s hyror onödiga miljonkostnader" [KTH's rent an unnecessary cost of millions], *Campi*, November 24, 2014.

14 According to Jonas Ragnarsson, CFO at Akademiska Hus. See the interview: Sverrir Thór, "Lånar pengar till utdelningen" [Loaning money to the department], *Fastighetsnytt*, September 30, 2015, http://fastighetsnytt.se/2015/09/lanar-pengar-till-utdelningen/.

15 "Största fastighetsägarna 2022," 2022.

16 For a more detailed account of the work of Kungliga Byggnadsstyrelsen, see Erik Sigge, *Architecture's Red Tape* (PhD diss., KTH Royal Institute of Technology, Stockholm, 2017).

17 See Akademiska Hus, "Mission," accessed on September 1, 2022, www.akademiskahus.se Vasakronan was until 2021 Sweden's largest real estate company and dispite significant new acquisitions it is now the third largest, while Akademiska Hus used to be the third largest but is now only in place number six. For information on 2021 see "Största fastighetsägarna 2022," 2022, https://www.fastighetsvarlden.se/analys-fakta/topplistor/storsta-fastighetsagarna-2022/, and for information on 2023, see https://www.fastighetsnytt.se/fastighetsmarknad/forvaltning/hela-listan-de-ar-sveriges-101-storsta-fastighetsbolag/#.

18 Akademiska Hus, "Mission." The full goal reads "The mission of Akademiska Hus is to own, develop and manage properties for universities and colleges, with a primary focus on education and research activities. The company's operations shall be carried out in a business-like manner and yield competitive profits by adapting our rents to the company's business risk. Akademiska Hus shall work to promote a sustainable long-term development of university and college campuses." The mission was approved by the Swedish Parliament in December 2013.

19 Akademiska Hus, "Mission."

case at hand, these include substantial revenues to the real estate owner. Tax money allocated to education and research travels far and takes many turns within the state system. The concentricity of the money flow is particularly telling. In a financial market economy, the flow of capital is essential, as capital should "work," regardless of whether it is owned or borrowed, restricted or unrestricted. In every transaction there is a potential economic surplus, which provides incentives to constantly optimize the financial structure of the holdings in relation to future prospects.

Sweden remains the international example *par excellence* of a society with robust social welfare in which social equality and equal opportunity are prioritized. Although these claims may still be true of welfare areas such as childcare and social insurances, as far as economic equality goes, Sweden's position as the champion of social welfare is long gone.[20] Since 1993, Sweden has deregulated many of its welfare services, with a majority of the privatization taking place after 2007. Among the deregulated sectors were postal services, national telecom, and railways, all in 1993. Incidentally, 1993 was also the year in which the state's premise provision was commercialized and Akademiska Hus was established. As a result of this reorganization, all state institutions became responsible for renting premises and covering the cost of market rents with their allocated budgets.[21] Around the same time, the government decided to implement strict "economic steering" of state institutions, and in 1998 the Agency of Economic Steering or *Ekonomistyrningsverket* (ESV) was established for this purpose.[22]

We know in general what *deregulation* and *privatization* mean with regard to changes in ownership structures and the basic view of the role of government, however, other, more hidden or silent, changes to the Swedish welfare state have occurred that go beyond the larger ideological, societal shift and the corresponding policy changes. From a historical perspective, we can see that in the late 1960s and early 1970s, the financial structure of public administration had already become more aligned with for-profit business management, and traditional budgetary management gave way to capital accounting systems with new bookkeeping techniques. Although the changes should be seen as an ideological shift toward marketization of public administration, it is also important to acknowledge that a general interest in business-like management existed, accompanied by a widespread belief that it would make economical and managerial improvements. The most tangible change that prompted the dissolution of KBS in 1993 and its reincarnation as Vasakronan, the National Property Board, and Akademiska Hus could be traced all the way to 1967, when the government implemented a new budgetary system at KBS. Called Program Budgeting, this new system introduced performance and evaluation concepts into budget planning. In the statement following this decision, KBS's Director General Sixten Larsson predicted that KBS would become a "commercial agency" within five years—a commercial public enterprise operating as a business, "that buys, produces, rents, and sublets premises of all kinds." [23] It may come as a surprise that the new methods of administration were such that KBS saw the entirety of its operations change with the change in bookkeeping, but it attests to the significance of what sociologist and philosopher Maurizio Lazzarato calls "accounting machines," to which I will return later.

20 The internationally acknowledged Swedish "middle road" was built on equality and mutual understanding, commonality, and belonging, and reforms and agreements that were to be drafted on the widest possible consensus and provide general welfare for all, i.e. universal, tax-financed, and publicly provided welfare. This economic policy has long since vanished and Sweden is instead intertwined in European economic policies and global affairs. See Bo Eriksson, *Sveriges historia* (Stockholm: Nordstedts, 2012), 458–64; and Erik Lundberg, *The Development of Swedish and Keynesian Macroeconomic Theory and its Impact on Economic Policy* (Cambridge: Cambridge University Press, 1993), 49–53.

21 Förordning (1993:528) om statliga myndigheters lokalförsörjning.

22 Ekonomistyrningsverket, ESV was established in June 1998. Before this, economic steering and control within the state was managed by Riksrevisionsverket (RRV).

23 As we now know, this change of operation did not happen until 1993. For "the prediction" that KBS would become a commercial enterprise—a statement made by Sixten Larsson in 1968—see Byggnadsstyrelsen, *Byggnadsstyrelsen,* offprint, *Arkitektur* 9 (1968).

24 Sweden has experienced rapid deregulation, which, according to some research is the fastest of all "Western countries." See Göran Eriksson, "Den liberala revolutionen" [The liberal revolution], *Svenska Dagbladet*, March 24, 2012, https://www.svd.se/a/29975a60-c157-3ad1-90c3-f99d853f866b/den-liberala-revolutionen.

25 Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–1979* (New York: Picador, 2008), 131.

26 Foucault, 146.

What is at stake here are political decisions about welfare policies, and with those decisions, the mechanisms of public choice. If Sweden's earlier welfare policies were founded on an economic policy in which the decisions were based on collective choice through state programs, welfare policies since the 1970s have been increasingly based on individual choice determined through a market of demands (i.e., competition). The longstanding problem of being able to make decisions regarding policies and programs on the basis of social needs—the classic problem of a welfare economy—has been depoliticized and formalized into questions of efficiency and competitiveness. Formerly, the drafting of welfare policies was based on the consideration of social needs in relation to the costs of welfare programs; it was thus a matter of political decisions based on cost-effectiveness and cost-benefit analyses. However, this has now, in Sweden as in other places, been replaced by the neoliberal idea of "market justice," whereby social needs are only acknowledged if they can appear as viable demands on a market, and then determined as profitable enough to justify the supply (the background analyses, however, are still cost-effectiveness and cost-benefit). How, then, can we understand Sweden's historical development from champion of welfare economics to Europe's most rapidly privatized country?[24]

In his genealogy of government, Michel Foucault describes how governments operating on the basis of *raison d'état*, the reason of the state, in which the good government was determined on its capacity to be just in relation to the law, changed toward the evaluation of a government's legitimacy according to the truth of the market. We can observe European state capitalism, which, after a period of strong social policy during the Keynesian welfare state government (1930s–1960s), became increasingly accepting of neoliberal ideas about what a government should be and do. According to Foucault, what is at stake with the rise of neoliberalism in the 1960s is the fact that the exercise of political power "can be modeled on the principles of the market economy" and thus, "it is not a question of freeing an empty space but of taking the formal principles of a market economy and referring and relating them to, of projecting them onto a general art of government."[25]

Foucault highlights three fundamental responsibilities of the new art of government: it should ensure the creation of markets, construct a competitive order, and facilitate the multiplying of enterprises. He states these concerns in relation to how the conceptualization, instrumentalization, and principle of social policies in a welfare economy would be structured. First, a neoliberal government should "make the market possible" by introducing "market regulation as [a] regulatory principle of society" not through the "exchange of commodities" but as "mechanisms of competition."[26] The key difference from a welfare economy is that the government should not implement social policies of "relative equalization" that smooth out the differences—which would be "anti-economic"—but instead make markets possible by letting inequality function. This leads us to the second point: competition. The mechanism of competition as a regulator of markets (and society) is that "the price mechanism," in the words of Foucault, "is established through fluctuations that only perform their function and only produce their regulatory effects on condition that they are left to work, and left to work through

27 Foucault, 142–43.
28 Foucault, 119.
29 Foucault, 147.
30 Foucault, 148.
31 The quote is from philosopher and political scientist Mark D. White's *Theoretical Foundations of Law and Economics* and refers to the Chicago School of Economics' development to dominance regarding the concepts of efficiency and competition in relation to rationality and reasoning in law, economics, and politics. Mark D. White, *Theoretical Foundations of Law and Economics* (Cambridge, MA: Cambridge University Press, 2009), 42.

differences."[27] Thus, we should accept that we cannot not strive for equivalence, but instead allow for inequality so that competition can "ensure economic rationality."[28] The third and final point is an extension of points one and two: the neoliberal government should help diffuse and multiply the number of enterprises, as a society subject to "the dynamics of competition" is an "enterprise society."[29] The government should facilitate the multiplying of enterprises because a program of "economic rationalization" is what connects "the basic units" of individuals, families, communities, properties, and businesses into a "social fabric," with the form of an enterprise. This network of enterprises entails that everyone and everything connected to it falls under the regulation of the market. In Foucault's reading of neoliberal governmentality, the market, competition, and the enterprise constitute "the formative power of society."[30]

An intriguing part of Foucault's theorization of the art of government lies in the link he draws between new neoliberal ideals and the abandonment of pre-welfare-state liberal dreams of a laissez-faire government. Instead, a neoliberal government should intervene, not "let go": interventions should be made, provided that they do not interfere with the game of the market and rather instead facilitate the market's improved function. The focus is on competition, which is the key factor for ensuring that the market can do its "fair" and "just" job. The "justice of the market" (or efficiency through competition) replaces "justice of the law." Efficiency thus becomes what political scientist Mark D. White describes as "the predominant factor shaping the rules, procedures, and institutions of the common law" because the most widely accepted position is that "efficiency is [a] defensible criterion in the context of judicial decision-making because 'justice' consideration, for which there are no academic or political consensus, introduce unacceptable ambiguity into the judicial process."[31] In accepting this position, the state should refrain from making considerations based on value rational decisions and instead make formal rational decisions that strictly assess the system's efficiency.

In the case of public administration in the 1960s, the introduction of capital accounting techniques was a trigger for marketization; KBS provides one example of such a move. If we bring the logic of capital accounting principles to the question of the rent of buildings under public administration—anticipating the practices of KBS and later Akademiska Hus—welfare-supported tenants (such as schools, hospitals, etc.) are not necessarily able to pay "market rents." An example of the new public administration profit-logic (i.e., the marketization of welfare services) would be a municipal social services department: while this department would usually rent office space from the municipality itself, in the new simulated market, this office space would be located in a building owned by a municipal business enterprise (i.e., a for-profit public company). The rent should—according to the capital accounting techniques—be market-based to comply with the municipal corporation's accounting system and ensure the efficient management of its business.

The real problem with this type of arrangement is that the allocation and distribution of tax money not only serves the social purposes for which it was earmarked—i.e., the cost of social welfare. Instead, a large percentage goes directly back to the "profitable" part of the municipal organization. Regardless of the landlord,

Campus Valla of Linköping University,
with Studenthuset (2019) in the middle.
Architects: White.

certain expenditures are openly displayed for any public administration's office—not only the direct cost of welfare support but also the salaries and social expenses of staff, various administrative expenses of running an office, and the cost of renting an office. The visible use of tax money obviously rises with the increasing cost of any of the expenses. Most readers would, instinctively, interpret the rising cost (deficit) of a department of social services as a result of increasing administrative costs for social services—although it could in fact be caused by increased rent—and consider it evidence of the excessive bureaucratic organization. This is also the logic of most of today's privatized or market-tailored welfare services: more and more money is spent on welfare programs (the cost of running welfare programs), while less and less money goes directly to welfare. Sadly, proponents of deregulation have been very successful in their campaigns, which identify excessive bureaucracy as the only problem and hence privatization as the only solution.

The real test of implementing market rules for public services is to reveal the "unprofitable" parts of public administration, and consequently to identify the most costly and least self-supporting units. Plainly speaking, following this reasoning: the simulation of market economy in public services is intended to reveal the most poorly-run organizations with the least healthy business plans; a glance at the numbers is to expose the unrealistic scope of an organization's activities and ultimately the ineffectual nature of state bureaucracy. Max Weber astutely acknowledged that it is only possible to produce profitability for markets in which people can afford to pay. Public funds (tax money) can certainly provide that profitability for privatized welfare services, but it is quite obvious that these "welfare markets" are not going to provide social services or other welfare services in sparsely populated or poor areas in the field of health or education, unless the government creates "profitable fees" for doing the job.

The notion that profitability can be manipulated is a cornerstone of the neoliberal view of the role of government. Foucault's description of the role of a neoliberal government as one that can intervene in the environment through the making of markets, the construction of a competitive order, and by facilitating the multiplying of enterprises is crucial for understanding the deregulation of welfare service. Opening a previously closed area of public services for profit enables the realization of the points identified by Foucault. But we also understand that the government immediately has to abandon previous goals of welfare service, as its new prioritized task will not be to provide welfare services but to provide markets, ensuring competition and creating possibilities for the establishing of enterprises in order for *others* to provide welfare service. The difference is colossal.

In this respect, the impossibility of the continuation of state-provided welfare services is due to the lack of clarity in these questions, and the real problem is in the lack of counterarguments to the order of competition. Upon accepting the new neoliberal role of government, one is seemingly caught in a Catch-22: if the government continues to regard the provision of welfare services according to a state services model and structures them accordingly, competition is not ensured and the market does not function as a competitive market. Similarly, if the opening up of a market

32 Foucault, *The Birth of Biopolitics,* 172.
33 Maurizio Lazzarato, *Governing by Debt* (South Pasadena, CA: Semiotext(e), 2015).
34 Lazzarato, 42–43.
35 Lazzarato.

to generate profit for businesses also includes the retention of public providers—i.e., public schools and public healthcare institutions—government intervention will be required to regulate and protect those providers (or, depending on one's perspective, *to protect private welfare providers from the dominance of the public providers*). These interventions will in turn hinder fair competition among *all* providers. Inevitably, there will also be neoliberals who criticize the government's (in)ability to secure markets and competition.

At the heart of the political problem is the impossibility of a plan. Foucault says that "the Rule of Law will have the possibility of formulating certain measures of a general kind, but these must remain completely formal and must never pursue a particular end."[32] Therefore, we can see the *means* of an earlier "planned" era remaining—for example, the quite specific means of rationalization and efficiency—being retained but for very unspecific ends. General welfare turns into general efficiency, whilst rationalization accelerates at an even faster rate than before, because these kinds of processes are supported by the old system of welfare economics as well as by the newer neoliberal ideas.

Changes have been made to bookkeeping within public administration, rendering it more similar to the practices of businesses. In Sweden, this shift began in the late 1960s. If we study these changes more carefully, we realize that they bring significant alterations to the objectives and evaluation of the performed activities. Maurizio Lazzarato has explained the historical shift in "accounting machines" whereby they move from measuring "labor time" to measuring "financial rent," introducing a new focus on "the valuation of investment opportunities" in addition to a more traditional attention to "profitability."[33] Economic performance is measured in many ways, but arguably the most common and useful of these is "Return on Equity" (ROE). Used in the private corporate world since the beginning of the twentieth century, ROE's importance in the public sector grew through the implementation of new budgeting and procurement systems in the 1960s. In extending these designations so that the different phases of capitalism also have different structures and programs (including different methods for allocation, appropriation, distribution, etc.), Maurizio Lazzarato identifies "three apparatuses of capture" that in turn represent "three accounting machines that evaluate, measure, and allocate value and surplus value in a specific way."[34] Thus, "each capture apparatus has its criteria for evaluation and comparison, its own measurements, and its own property regime, all of which coexists, while their hierarchy changes according to the political context."[35] If we view the systematic and programmatic changes made to the administrative apparatus of Akademiska Hus and its predecessors in terms of these categories, we could relate the new instruments and their accompanist practices to a broader logic of political change.

A first phase in this process can be identified in the welfare state of 1945–1970, when a direct relation between profit and labor existed. For Lazzarato, who draws on Deleuze and Guattari, this means that "the capture apparatus for 'profit' carries out the evaluation of 'activities' to be 'compared, linked, and subordinated to a common and homogeneous quantity called labor." In contrast, in the second phase—i.e. the neoliberal—profit "is no longer founded on the valuation of 'labor' but on the valuation of investment opportunities and the profitability of corporations." The third phase, which for Lazzarato began with the 2008 debt crisis, is still based on the evaluation of investment opportunities but extends to more creative financial exercises. All in all, the changes in "apparatuses of capture" require new "accounting machines" to measure the economic value of the activities. Lazzarato explains: "Return on Equity (ROE) is the 'measurement' of a corporation's economic performance from the shareholder's point of view," where "appropriation is no longer handled by the entrepreneur but by the creditor. The hegemonic regime of property remains private, but it is now based on the ownership of capital securities." [36]

As a type of measurement entirely free from the direct correlation of "activities" to "labor," ROE instead addresses shareholders' equity. Thus, attention that was earlier focused on activities and performances declines, as the most important measure turns out to be the return itself. Should there be some interest in activities and performances, these are no longer valorized in relation to labor or professions, but once again, in relation to the return. The greatest fundamental shift in the use of ROE as a business measurement was not in the 1970s, but rather already in the 1920s, with the particular invention of the so-called DuPont Formula. ROE has been the driving principle for maximizing profits ever since. The change identified by Lazzarato came about as ROE—which, in the example of DuPont's Ford, was running on equity capital—was increasingly run on equity debt, i.e. on financial investment rather than industrial investment. It is here that we can begin to understand what is happening at Akademiska Hus and with its generous payment to its shareholder, the Swedish Government. To acquire a more "efficient capital structure," the government is urging Akademiska Hus to lower its solvency and take loans (equity from debt), rather than using its own investments. Hence, the move from Return on Equity to Return on Equity Debt.

In an article in the *Harvard Business Review*, written soon after the 2008 debt crisis, Chris Meyer and Julia Kirby call to "end the religion of ROE." [37] The authors depict the historical invention of Return on Equity, identifying the current immorality of the old management equation with sarcasm:

> In the case of ROE, spurred on by the DuPont equation, society came to suffer from … entrenched corporate runaways. In their pursuit of margin, marketers sought market power even to the point of monopoly, requiring antitrust laws to cry stop at the last moment of the end game. Similarly, production engineers treated their factories royally and their labor as expendable, until unions and labor laws intervened. Financial managers, supported by their bankers, increased their debt-to-equity ratios until capital requirements were imposed—oops, we mean until there was a catastrophic financial crash and a depression. Then banking regulations were imposed.[38]

They further take a clear stand against ROE in relation to social welfare, pointing to its inadequate capacity in considering necessary distribution of resources, or: the societal worth of business.

36 Lazzarato, 44.
37 Chris Meyer and Julia Kirby, "End the Religion of ROE," *Harvard Business Review,* October 20, 2011, https://hbr.org/2011/10/can-we-end-the-religion-of-roe.
38 Meyer and Kirby.

39 Meyer and Kirby.

> The lesson: Return on Equity, ... is a very poor guide for allocating resources. It fails for two reasons. First, fixating on ROE fails to maximize the benefit of business to society because it measures value in terms of returns to only one stakeholder; second, it allocates human resources as if maximizing the efficiency of financial capital were critical to growth of social welfare.[39]

In the case of Akademiska Hus, we could argue that the "one stakeholder"—the government—*is* society, and we would therefore all benefit from this arrangement. The crux of the problem here however is not that the state receives revenue (which is good), but that the business of Akademiska Hus departs from the allocation of resources for education and research.

One real threat to welfare services is ROE's analytic tendency to locate the underperforming parts of organizations' operations. When ROE is used in public administration, the mechanisms of evaluating the social and societal worth of welfare services fall short, as the only prevailing evaluation is economic performance. The specific example of governmentally or municipally-run real estate companies, supposedly established to ensure something other than profit, is particularly telling.

If we now try to explain how it is possible to cash out billions from Akademiska Hus, we see that Return of Equity has developed to become increasingly concerned with equity debt over equity capital. The dividend to the shareholder of the company is accordingly arranged through technical financial instruments of raising the value of properties, with the subsequent borrowing of money equivalent to that raise. The "covert taxation" argument made by critics of Akademiska Hus's high rents can thus be tied to Lazzarato's assertion that in the current debt crisis, debt is not paid through revenue but through taxation: both investments and mortgage payments are paid by someone external to the company (in the case of Akademiska Hus, the loans are provided by European funds, whereas the rents of mortgage are paid by the tenants).

In 2015, Swedish university leaders requested a change in ownership directives from the government or alternatively for the universities themselves to be made the primary owners of Akademiska Hus. The critique has weakened since, however, with no shockwave around the increases in rental fees that are currently taking place; the high rents, with their annual market increases, have been normalized as "a new reality." In the long run, it is highly unlikely that an alternative where the universities own Akademiska Hus will effectuate any changes to the problem of prioritizing economic development over developments of education and research, but it holds the potential of practicing collective choice for determining rents and long-term priorities of the company. Another model that has been discussed, and similarly has the potential of greater autonomy of higher education and research, would see universities themselves act as landlords of their facilities. Such organization runs the risk of creating similar financial steering of education, putting university departments into competitive races for the best performing and most efficient (which arguably already exists because university managements are also thinking like business managers) and into open fights with the university's real estate divisions.

In Sweden today, although we are continuously surprised by the political approvals of entrepreneurial innovations of public works, we face a situation where most of the welfare services that could be made profitable have been marketized or privatized and the unprofitable parts are publicly shamed for their ever-increasing costs that need to be covered by public resources. The burden is obviously not equally distributed as both economic and geographical differences have proved to put the poor and peripherally situated in unfavorable positions. The better situation you are in, the better deal you get. For municipalities in depopulating regions, there is little hope, unless there are ways to find or invent new values in old possessions that can booster the (economic) expectations of the future.

Real estate companies deal with speculation, in the traditional understanding of buying low and selling high, at least in the short term. Nonetheless, the majority of today's speculation is not primarily focused on smart transactions, but rather on financial inventions for optimizing efficiency, maximizing profit, and seizing the economic moment of potential new or higher revenues. None of the actors addressed here have any interest in slower increases of the market prices of real estate or land, nor in cooling off hotly expanding bubbles in the housing market: this would require growth to slow and result in decreased revenues. But if the market fails to deliver what the shareholders are asking for, there are always new possibilities to invent compensations for costs which are first postponed and then later reinvented as rents on someone else's bills.