

Financialisation, the brewing industry and the changing role of the pub in Britain and Germany

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Abstract

Financialisation has been understood in varying ways from different disciplinary perspectives. Developing a political economy approach concerned with the geographical and institutional variegation of national capitalisms, this thesis aims to provide a more finely grained, geographically sensitive understanding of financialisation which more thoroughly appreciates the constitutive roles of space and place. Taking the dramatic reductions in the number of pubs in Britain and Germany as the entry point, the empirical focus seeks to explain the roles of financialisation in the pubs business at both national and sub-national scales. The changing role and closures of pubs will be utilised to explain how the processes of financialisation are reorienting economic interests, transforming corporate forms, enrolling an increasing number and widening set of actors into the global financial system, and impacting the experience of an economically and socially significant sector of the economy. The international comparison serves to explain how while the processes of financialisation maintain certain general characteristics they are unfolding in geographically differentiated and uneven ways shaped by the institutional configurations of variegations of capitalism. Whilst exhibiting core constituents and common underlying tendencies, it will be argued that the spatially and temporally variegated phenomena of financialisation is enacted, mediated and resisted by geographically grounded actors and institutions.

Keywords: Financialisation; Variegated Capitalism; Pubs; Brewing

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List of Acronyms

BBPA: British Beer & Pub Association

CAMRA: Campaign for Real Ale

CME: Coordinated Market Economy

DEHOGA: German Hotel & Restaurant Association

FLVA: Federation of Licensed Victuallers Association

FSB: Federation of Small Businesses

LME: Liberal Market Economy

M&Bs: Mitchells & Butlers (pubco)

MMC: Monopolies & Mergers Commission

OFT: Office of Fair Trading

RICS: Royal Institute of Chartered Surveyors

SIBA: Society of Independent Brewers

VoC: Varieties of Capitalism

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Chapter 1: Introduction

“Gone are the days when the landlord could sit the wrong side of the bar having a pint, and a fag probably, with the customers. Everybody has had to work that little bit harder to get things done because duty’s gone up, utilities have gone up, everything’s gone up. It’s not a cheap hobby to run a pub anymore, particularly as a tenant”

(Chief Operating Officer, Regional Brewing-pubco, Author’s Interview, 2015)

The aim of this thesis is to identify and explain the relationships between financialisation and the dramatic reductions in the number of pubs in Britain and Germany. Dating back to the 1980s and the start of the present episode of financialisation (Sawyer, 2013), the pub and brewing markets of both countries will be deployed as comparative cases to analyse the extent to which the processes of financialisation can be said to account for and explain spatial change. This will enable the articulation of key theoretical and conceptual contributions concerning financialisation as a set of spatially and temporally variegated processes that are shaped and mediated by a range of geographically situated actors and institutions. The changing role and closures of pubs provides an opportunity to assess the means by which financialisation unfolds in a geographically uneven manner and is reorienting economic interests, transforming corporate forms, enrolling an increasing array of actors into the global financial system and impacting the experience of an

economically and socially significant sector of the economy. Such analysis will contribute to the emergent political economies of the financialisation of the firm.

The comparative element of this research serves to illuminate the inherent variegation of financialisation, where a range of processes are mediated and manifest in different ways across contrasting institutional contexts. By applying this approach throughout two distinctly different national contexts, this research will address the means by which the geographical and institutional structures of variegations in capitalism, at both national and sub-national scales, shape and mediate the common underlying tendencies, pressures and processes of financialisation and how this generates spatially uneven material outcomes. A geographically sensitive approach to financialisation and nationally structured pub and brewing markets will therefore facilitate an engagement with the complex economic geographies which shape the variegated processes of financialisation and contribute to the uneven geographies of contemporary capitalism.

Rather than attempting to necessarily ascertain the primary means by which pubs are closing, critical to the research is analysing the respective role of financialisation in explaining closures alongside other factors. As closures are a symptom of a broader set of processes, comparative analysis will be undertaken based upon addressing the role of financialisation in transforming pub geographies, reorienting the localised conception of the pub, modifying the relationship between pub owner and operator and enrolling pubs into larger geographies of global brewing and financialised modes of competition, amongst other transformations.

1.1 Research rationale: understanding the relationships between financialisation and the changing role of the pub

As a means of engaging with the extending power, reach and influence of finance throughout “economic, political and social life” (Hall, 2011 B: 405), financialisation has emerged throughout a vast array of disciplines and can be broadly understood as the “increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein, 2005: 3). Signifying the extending reach of finance and reflected by the increasing spread of financial markets “across geographic and social spaces” (Davis & Kim, 2015: 204), financialisation research has emerged seeking to capture the “shift in capitalism” towards an emergent “finance-driven regime of accumulation” (Pike & Pollard, 2010: 32). Whilst an increase in financial activity has prompted growing interest in the economic, social and political geographies of financialisation (Pike & Pollard, 2010) and despite its profound implications, academic interest in financialisation has had a “relatively short history” (French *et al.*, 2011: 799) and research remains “severely underdeveloped”, particularly in geographical terms (Hall, 2011 A: 2).

Understood as a plural set of processes, financialisation provides an opportunity to critically assess the grounded means by which people, places and practices are becoming more aligned with the rationales and logics of international finance. Acknowledging how financialisation is “made up of a plethora of contested narratives” (French *et al.*, 2011: 800), this research adopts a spatially sensitive approach and aims to explain the variegated nature of financialisation and use this understanding as a means of accounting for and explaining pub closures in Britain and Germany. While there is a broad literature on financialisation, with a range of disciplines following

finance into various domains, this research is primarily interested in addressing the temporally and spatially variegated nature of the geographies of financialisation at firm-level across contrasting institutional environments.

Depicted as a prime example of a Liberal Market Economy (LME), the social, economic and political landscape of the British variegation of capitalism has been and continues to be greatly influenced by processes of neoliberalism, globalisation and financialisation. Not solely mediated by actors and institutions, financialisation has modified this institutional context, as well as transformed the firm into a short-term oriented, shareholder-centric, finance-driven entity, where government is required only to play the role of guarantor to the free market. The extension in the role of financialisation has also meant that Britain has been in the vanguard of innovation in “financial engineering” (Williams *et al.*, 2010: 36), with a growing number of actors and institutions adhering and conforming to the logics and principles of international finance. Propelled by the rationales of finance, the British pub market has witnessed the emergence of pub companies, or “pubcos”, which acquired the property assets of Britain’s largest brewing groups following disinvestment after the 1989 Beer Orders. Whilst different models exist, pubcos typically operate leased estates where pubs are rented to tenants who are then contractually obliged to pay rent and purchase supplies from the owning company.

Whilst these corporations adhere to the norms of the LME, place the provision of shareholder value as a core element of their operations and have acquired assets through securitised debt, very little research exists concerning the extent to which the contemporary pubco represents an example of a financialised ownership structure and the associated implications at national and local levels. As financialisation has induced

a “new concern for financial targets and metrics” at firm-level, often resulting in the restructuring of “professional practices, structures and values” (Faulconbridge & Muzio, 2009: 659), the emergence of the pubco creates an opportunity to analyse these transformations and in turn how the inherently variegated processes of financialisation generate geographically uneven transformations.

In contrast to Britain, the coordinated market economy (CME) of Germany presents an entirely different opportunity in regard to analysing the variegated role of financialisation. This “richly organised” and “densely regulated” form of capitalism (Streeck, 1995: 8), dominated by “patient capital” and its role in shaping the economic landscape and ensuring the longevity of investor planning horizons, has so far proven an inhospitable environment for the processes, pressures and manifestations of financialisation (Culpepper, 2005). Influenced by a financial system dominated by a resilient sector of local and regional banks, which base their strategies and relationships within long-term planning horizons (Engelen *et al.*, 2010: 64), the nature of financial capital varies greatly in Germany and provides an opportunity to analyse how financialised practices are enacted differently across varied institutional contexts. Comparing the experience of pub and brewing markets, in addition to the contrasting relationships between financialisation and the reduction in pub numbers, also enables a critical assessment of the spatially variegated extent to which the “seductive temptations” of Anglo-American processes of liberalisation, marketisation and financialisation are impacting Germany (Dore, 2000: 18). The processes of financialisation are therefore driving “variegated developments within contemporary capitalism” (Engelen, 2008: 113), with geographically contingent actors and institutions mediating and shaping the core constituents of these processes. Analysing these

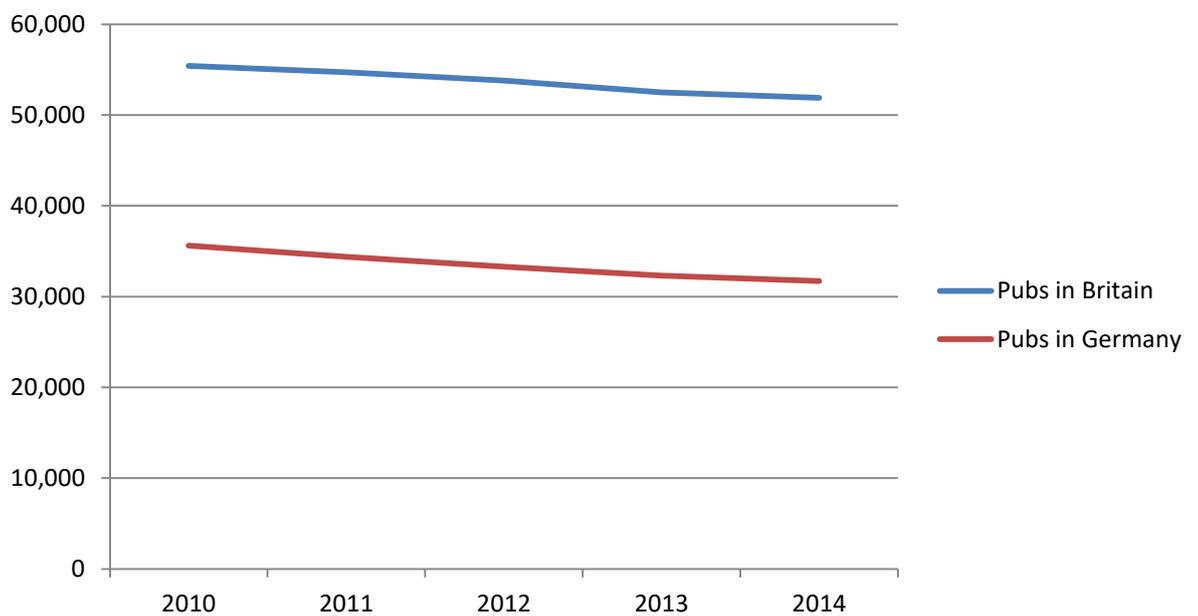
transformations will contribute towards developing a robust and rounded understanding of the respective roles of financialisation and its relations to wider socio-spatial relations, structures and processes in the financial system and brewing industry.

Throughout Britain and Germany pubs are conceived of as important social institutions but have experienced very different histories. Whilst acknowledging how the “concept of the pub is a fuzzy one”, where its function, perception and meaning has developed and changed over time (Muir, 2012: 5), their so-called “pivotal function” emanates from an ability to simultaneously contribute to the economy and support social cohesion throughout local communities (Andrews & Turner, 2012: 552). Through continuing to play “an important and diverse role in the nation’s social and economic life” (Jones *et al.*, 2006: 329), the pub and its role in shaping British culture throughout history cannot be overstated (Sandiford & Divers, 2011: 770).

As a “country of pubs” (Inose, 2003: 121) Britain has experienced a gradual decline in the total number of premises since the early 20th century, a trend which has intensified and accelerated in recent years. Since 1980 Britain has witnessed the closure of over 20,000 pubs with more than half of those closures occurring since 2006, demonstrating the impact of the recent financial crisis and economic downturn (Snowdon, 2014: 8). Central to this thesis is therefore disentangling the multifarious role of financialisation in explaining pub closures, whilst recognising that any transformation “is being exacerbated by a range of economic and social factors [...] that has made operations extremely challenging” (Andrews & Turner, 2012: 550). Analysing the pubco provides an opportunity to address the fact that very little is known about exactly how the variegated processes of financialisation unfold

throughout particular institutional variegations of capitalism, how and what kind of new financialised corporate forms emerge, how their activities are reshaping socio-economic landscapes and what their ramifications are in regard to local economic change.

Figure 1.1 Pub closures in Britain and Germany



Source: Author's own; data obtained directly from contacts at the British Beer & Pub Association and German Brewers Federation

Whilst the significance of the pub is equaled throughout Germany through its role as an important social, cultural and economic institution, the country has also witnessed a dramatic reduction in the number of pubs in recent years, a decline which has been highly geographically variegated. As Figure 1.1 shows, pub markets in both countries are experiencing decline, a trend which has been exacerbated following the global

financial crisis. Between 2010 and 2014 Britain witnessed a 6% decline in the total number of pubs, falling from 55,400 to 51,900, whereas Germany witnessed an 11% decline from 35,600 to 31,700 (Data obtained from the British Beer and Pub Association; DEHOGA).

Whilst Germany has not experienced the emergence of financially oriented pub ownership structures, as will be explained in following chapters, domestic and international brewing groups will be analysed to assess their varied role in the enactment of financialisation and how this may be generating geographies of pub closures. It is widely accepted that Germany holds the “dominating position in production and consumption of beer”, with close to 1500 breweries and annual consumption rates of approximately 90 million hectolitres (Smoluk-Sikorksa & Kalinowski, 2013: 77). Whilst historically renowned and regionally and economically distributed (Carroll *et al.*, 1993), commentators argue that the brewing industry in Germany has become subject to the pressures of financialisation. The highly fragmented and unconsolidated German market has proven to be attractive to international brewing groups and their financialised strategies based on market concentration, aggressive cost reduction and the rationalisation of brewing capacity. Such emergent financial interests provide an opportunity to assess the extent to which the German brewing industry is becoming more beholden to the logics of financialisation and the impact this has on the spatially uneven development of the German pub market.

Including a range of “different dimensions and aspects”, financialisation exists as a complex set of processes which require rigorous analysis in grounded ways to better understand their role in exacerbating the uneven geographies of capitalism (Brown *et*

al., 2015: 10). This research understands financialisation as a range of processes, principles and logics, which are inherently geographically variegated in both practice and material outcome. As a plural set of processes and historical phenomena which has driven socio-economic change, financialisation therefore involves the extended but geographically uneven reach of financial principles and practices throughout economic life. As VoC has been articulated as a “firm-centred approach to political economy” (Ozveren *et al.*, 2012: 21; Hall & Soskice, 2001), with the firm conceived as the “key vector of the national institutional constellation” (Dixon, 2011: 195), deploying the firm as the core unit of analysis will permit an integration of the VoC and financialisation literatures to explain the fundamental integrity of space and place in the uneven unfolding of financialised processes. Whilst analytical chapters will therefore critically integrate and synthesise concepts and theories attributed to both financialisation and variegated capitalism, this study is based on an institutional geographical political economy approach.

This research explains the nature, composition and form of the finance which essentially constitutes financialisation in an attempt to open up its black box and reveal the actors, institutions, ideas and practices working within it (Christophers, 2015 A: 232). Whilst research remains attentive to how the financialisation of European countries at firm-level has occurred and “is based on the increased shareholder value orientation of many corporations, reorganised intra-firm and inter-firm relations and the manifold process of marketisation and privatisation”, relatively little attention has been devoted to the geographical dimensions of these transformations and the role of variegations in capitalism shaping and refracting associated processes (Bieling, 2013: 286). Analysis will therefore focus on the changing role and geographies of pub

closures at both national and sub-national scales in order to establish a finely grained and spatially sensitive explanation of financialisation which accounts for the causal and constitutive role of geography.

1.2 The missing geographies of financialisation

1.2.1 Critiquing the geographies of the financialisation of the firm

A knowledge gap exists surrounding the lack of geographically sensitive research concerning the nature and variegation of the financialisation of the firm. Often articulated as a set of abstract processes invulnerable from the impact of space and place, this thesis will illuminate the spatialities of financialisation and in turn address the “anaemic geographies” of existing financialisation research (Christophers, 2012). The geographically rooted nature of financialisation will be articulated through an engagement with the “inescapable geographic construction, context, and rootedness of financial networks and practices” (Pike and Pollard, 2010: 38). This research aims to demonstrate how the different forms and outcomes of financialisation are not only influenced but inherently constituted by geographical variation and dynamic economic geographies, in turn addressing those concerns surrounding how “very little attention had been paid to how space and place intersect with processes of financial subjectification and processes of financialisation more generally” (Hall, 2011 B: 406; Pike & Pollard, 2010).

Research has identified how processes of financialisation impact countries at different paces and scales and not only does this suggest an inherent variegation to

financialisation, it also provides the impetus for this research to address the means by which these processes unfold at a “lesser pace and scale” across differentiated institutional landscapes (Santos, 2013: 12). Comparing the strategies, behaviours and agency of corporations across geographical contexts will therefore provide an opportunity to critically assess the core constituents of financialisation at firm-level and how they unfold unevenly across national and sub-national variegations in capitalism.

1.2.2 Financialisation and agency: responding, mediating and resisting the logics of financialisation

Previous studies have been neglectful of the contrasting responses to financialisation by actors working through different institutional structures. A small strand of research has critiqued the understanding of financialisation as an all-encompassing, omnipotent force (Pike & Pollard, 2010; Williams, 2000) and this thesis aims to develop this critique through addressing the geographically varied forms of responses which mediate the pressures, logics and rationales ascribed to financialisation. The role of the state has been underdeveloped in this regard (Langley, 2007) as well as in relation to the political economies of the financialisation of the firm, with commentators often failing “to provide adequate empirical evidence” concerning the processes by which national governments are influenced by and respond to the norms of financialisation (French *et al.*, 2011: 799). Analysis aims to therefore uncover the active role of the state in terms of its ability to craft particular socio-economic environments which shape the recurrent processes of financialisation disparately. By addressing the contrasting responses to the imperatives of financialisation by geographically situated actors, a

finely grained understanding of financialisation may therefore be established which accounts for its inherent variegation and the socio-political limitations imposed upon its processes.

1.2.3 The omission of socio-cultural financialisation at firm-level

Conceived as an “unstable, crisis-prone, politically contested societal formation” (Bieling, 2013: 296), research has failed to adequately capture the social and cultural elements of the relationship between financialisation and the firm, both in terms of its variegated processes and the conceptualisation of the firm as a collection of social relations at the local and regional scale. Whilst not exclusively focusing on the “financialisation of everyday life” (French *et al.*, 2011: 801), this thesis will engage with and aims to account for crucial socio-cultural dimensions of variegations in capitalism which mediate the financialisation of the firm in spatially and temporally disparate ways. This will contribute towards developing a finely grained understanding of financialisation through identifying the “socio-spatial relations” which, through evolving and changing over space and time, constitute the geographically variegated nature of its processes (Pike & Pollard, 2010: 33).

1.2.4 Financialisation and capitalism

Addressing the argument that “economic geographers have remained on the outskirts of the varieties-of-capitalism debate” (Dixon, 2011: 193), this research aims to demonstrate how drawing on variegated capitalism literatures will facilitate the development of a geographically sensitive and finely grained explanation of

financialisation and its myriad of processes. Integrating concepts and theories ascribed to financialisation and Varieties of Capitalism (VoC) serves to enhance a spatially sensitive understanding of both phenomena, enabling analysis to extend beyond the national level and rupture the “restrictive scalar geographical imaginary that dominates the financialisation literature” (Christophers, 2012: 279; Dixon, 2011). A nuanced and geographically grounded approach to financialisation and capitalism may therefore serve to problematise the often oversimplified articulations of VoC, moving beyond the notion of two antagonistic forms of advanced capitalism which are nationally contained and consistent (Levi-Faur & Jordana, 2005). By addressing those calls to merge financialisation and VoC, this thesis aims to account for and explain the “geographies” ascribed to the variegated processes of financialisation and in doing so demonstrate how the “vagaries of financialisation” are experienced unevenly across space and time (Engelen *et al.*, 2010: 68).

Research has grasped the notion that financialisation has impacted “modern capitalism, to different degrees in different countries” (Hein & Dodig, 2014: 1), yet further geographically sensitive research must be devoted to thoroughly understanding the nuances of this process. This is particularly true in regard to the specific forms of finance and financial imperatives, where research must aim towards identifying the causal role of differentiated institutional landscapes in shaping the form and extent of financialisation. This thesis will therefore draw on the “relational conception of the firm” ascribed to the VoC schema, in which the firm is conceptualised as a “social institution that draws deeply on, and is constituted by, institutional and cultural resources from its (national) environment” (Peck & Theodore, 2007: 738). A firm-focused comparative approach therefore enables an analysis of the

processes and outcomes of financialisation and how they are enacted and unfold unevenly across variegations in capitalism at different geographical scales.

1.2.5 Grounding financialisation: addressing the lack of empirical analysis

Commentators argue that financialisation “has not been subject to the kind of close empirical scrutiny” which would serve to illuminate its “precise timing and magnitude” (Krippner, 2005: 175), with research failing to “provide adequate empirical evidence” to justify and support theoretical and conceptual mobilisations (French *et al.*, 2011: 799). Serious questions have been raised regarding the “limited empirical validation and seemingly unlimited conceptual mobilisation” of financialisation throughout strands of research (Christophers, 2012: 272). Such a significant yet “little-examined phenomena” requires rigorous empirical analysis in order to establish the particular nuances and complexities ascribed to its geographically uneven unfolding (Krippner, 2005: 175).

This study aims to address the lack of research concerning cross-national comparisons of financialisation and empirical analysis will therefore be undertaken in such a way as to better explain the geographies of the financialisation of the firm at both national and sub-national scales. The analysis of pub and brewing markets serves to not only illuminate how financialisation unfolds geographically unevenly but also how the outcomes of a range of processes generate grounded, material outcomes intertwined with complex local economic geographies. With the aim of rupturing the conception of financialisation as a “taken-for-granted aspect of contemporary life”, the comparative element of the study also serves to generate insight regarding the heterogeneity of financialisation across contrasting socio-economic environments and in turn combat

the “murky and difficult to observe” elements of the phenomena (Christopherson *et al.*, 2013: 356).

This research will therefore address the conceptual, theoretical and empirical gaps in the “distinct geographies of financialisation” (Engelen *et al.*, 2010: 53) through a comparative study which explains the roles and relationships of financialisation in regard to pub closures across the variegated capitalisms of Britain and Germany. Through addressing such knowledge gaps this research aims to develop a robust conceptualisation and theorisation of the geographies of the financialisation of the firm across variegated national institutional contexts.

1.3 Outlining the aims and framework of the research

The fundamental aim of this research is to articulate a finely grained, spatially sensitive understanding of financialisation based upon identifying and explaining the relationships between the processes of financialisation and the dramatic reductions in the number of pubs in Britain and Germany. Whilst deploying the firm as the core unit of analysis, the comparative element of the research is crucial towards developing key theoretical and empirical contributions and is based upon comparing firm activity across two case study countries, Britain and Germany, with data collected from the cities of Newcastle upon Tyne and Dortmund. Adopted as “critical cases” (Barnes, *et al.*, 2007: 7), comparing two national contexts whilst also analysing sub-national heterogeneity will permit an examination of the variegated processes of financialisation across contrasting institutional architectures and rupture the predominantly national focus ascribed to research addressing the “pluralisation of

capitalism” (Peck & Theodore, 2007: 732). Not only will this enable an engagement with the extent to which financialised capitalism is “unstable at the macro and micro levels” (Thompson, 2013: 483), it will also focus attention on the incongruity of financialisation as a set of differentiated processes.

Comparative analysis is therefore at the heart of this research and, as Christophers (2012: 280) suggests, is likely to enhance theoretical and conceptual contributions:

“Examining one country in isolation is akin to extracting one piece from a larger jigsaw puzzle: we may think that we know what this piece shows, but it inevitably looks different when viewed as part of the wider, interconnected whole to which it belongs”.

Embodying “many dimensions” and involving “numerous different economic entities” (Dunhaupt, 2016: 3), financialisation has been understood in a great number of ways from different disciplinary perspectives. Taking an historical and geographical approach to the multiple aspects and elements of financialisation, this thesis aims to reach the essence of the present episode of financialisation (Sawyer, 2013) and reveal how it is geographically constituted and expressed in different ways over space and time. Based on an institutional political economy approach this thesis aims to generate a spatially and temporally sensitive explanation of financialisation which fundamentally appreciates the geographies of its processes and rationales. It aims to add to the political economies of the financialisation of the firm through:

- 1) Articulating a more finely grained, spatially sensitive understanding of financialisation

- 2) Explaining how variegations of capitalism and their institutional and geographical structures mediate the processes of financialisation in contrasting ways

- 3) Identifying and explaining the relationships between financialisation and pub closures in Britain and Germany

This thesis will therefore yield a stronger theorisation and explanation of the role of financialisation in local economic change, the emergence of new financialised corporate forms and critically engage with the VoC research agenda in a way which ruptures previously static modes of analysis (Peck & Theodore, 2007: 731). Analysing the role of financial imperatives in the reorganisation of the “structures, processes, agencies and relations” (Fine *et al.*, 2016: 8) of actors and institutions across variegations of capitalism will therefore expose the causal and constitutive role of geography in the enactment of financialisation.

1.4 Thesis structure

The remainder of the thesis is made up of 8 chapters. The following chapter forms the *Literature Review*, which surveys and summarises the financialisation and variegated capitalism literatures. This chapter critically reviews the emergent multi-disciplinary academic literature on financialisation, distilling insights for the conceptualisation and

theorisation of its geographies and focusing upon its differentiated unfolding across variegations in capitalism. It reviews the financialisation literature from a geographical perspective, introduces and synthesise this with research concerning the plurality and variegation of capitalism, before finally asserting the links between the reviewed literatures and the specific research aims of this study, as well as provide an analytical framework for later chapters.

Chapter 3 introduces and explains the chosen data collection methodologies and research design for the study. Not only does this chapter identify the specific research methodologies, it also explains and justifies the adoption of such techniques and provides broader rationale for the research and its methodological design.

Chapter 4 introduces and provides an overview of the empirical context of the research. The chapter is based upon an analysis of the evolution of pub and brewing markets at the international, national and local scales, and explains recent developments in regard to the geographically uneven development of pubs throughout both institutional contexts. It aims to fundamentally contextualise the particular aspects of place which impinge upon the variegated processes of financialisation and provide broader context for analytical chapters.

The following four chapters form the analysis stage, beginning with chapter 5 entitled *Variegated Capitalisms and the mediation of financialisation*. This chapter demonstrates the role of variegations in capitalism and their geographical and institutional structures in shaping and mediating the processes and outcomes of financialisation, explaining how geographically disparate institutional architectures ascribed to particular forms of capitalism constitute the inherent variegation of financialisation. The core argument from this chapter is that financialisation is enacted,

shaped and mediated by geographically situated actors and institutions which are influenced by the broader political-economy, conditions and cultures ascribed to particular variegations in capitalism. The role of the state, shareholder primacy and local drinking cultures will provide evidence of how particular elements of variegations in capitalism shape and mediate the financialisation of pub and brewing markets differentially.

Through critically assessing the role of financialisation in transforming pub ownership structures across both national contexts, the *Financialisation, business models and ownership structures* chapter aims to address how the permeation of financialised logics at different scales has transformed corporate models, strategies and behaviour, in turn contributing to closures and the changing role of the pub. This chapter analyses the role of securitised debt throughout the British context in regard to the rise and fall of pubco estates, as well as compares ownership structures across both contexts to demonstrate the varied nature and impact of financialisation. It argues that pub ownership structures have formed the predominant channel through which financialised imperatives, rationales and practices are enacted, which are then shaped by geographically contingent factors and result in the spatially uneven development of pubs across Britain and Germany.

The seventh chapter, entitled *Financialisation and the tie*, addresses the means by which financialisation has transformed the pubco-tenant relationship, and more broadly analyses the varied role of financialised pressures in modifying the conception of pubs from the perspective of pubcos and brewers. This is achieved by analysing the differences between brewing and non-brewing pub companies, examining the accusation that the pubco model emergent in Britain merely reflects a commercial

property company, and comparing the format and nature of German and British beer-ties. The principal argument of this chapter is that ownership structures aligned with the norms of financialisation have begun to conceptualise their pubs as expendable financial assets and this has transformed the relationship between owning and operating parties, fostering a reduced economic reading of pubs and in turn generating geographies of closures.

The eighth chapter assesses the *Extending reach of financialisation* and addresses its multifarious character in relation to the enrolment of new actors into financialised modes of competition within the context of craft brewing. Analysing the craft beer markets across both institutional contexts provides insight regarding the alternatives to financialised business models throughout the global brewing economy, as well as substantiates the heterogeneity of financialisation based on how its processes are resisted and contested in different ways. It also argues that the pervasive and extending nature of financialisation unleashes uneven outcomes in regard to the character and format of pubs, made evident by the relative decline of the family-run pub.

This is followed by the ninth and final *Conclusion* chapter which aims to draw out and explain the core findings of the research. This chapter explains the theoretical and conceptual contributions of the research, summarises empirical findings which substantiate the preceding claims and introduces avenues for further research.

Chapter 2: The geographies of financialisation and variegated capitalism

The aim of this chapter is to critically review the emergent and relevant literature surrounding financialisation and variegated capitalism. The often “imprecisely defined and variously understood” meaning of financialisation (Fine *et al.*, 2016: 28) is addressed by moving across and between scalar geographical imaginaries to critically review the contrasting theorisations and conceptualisations of its multitude of processes. This is followed by a critical review of the VoC approach and the development towards a more flexible and pluralistic understanding of variegated capitalism.

This chapter consists of five main sections. The first section addresses literature concerning the long-term, macro dynamics of financialisation, where its emergence has been understood as reflecting a financial regime of accumulation. The second section reviews research that has addressed the meso and micro abstractions of financialisation, devoting particular attention to financialised modes of competition, the role of the firm and the financialisation of everyday life. The third section reviews literature concerning the VoC schema and the progression towards the theorisation of variegated capitalism. The fourth section addresses the relatively limited amount of research approaching financialisation from a geographically sensitive position, before the final section introduces and explains the analytical framework.

Utilising the themes and ideas of VoC adds greater institutional sensitivity to the analysis of financialisation and therefore allows for a more focused, critical and

geographically nuanced approach to its multiple processes. Through distilling and synthesising the core theoretical perspectives, concepts, themes and arguments present throughout both strands of literature, an analytical framework is articulated which acts as the foundation for analysis chapters and provides a means of addressing the specific research aims of the study.

2.1 Epochal change: macro perspectives of financialisation and contemporary capitalism

2.1.1 The financial regime of accumulation

Global capitalism has transformed significantly in recent years (Amin, 2008: 57) as the combined effect of economic deregulation, financial liberalisation and the “ideological domination of free markets” has served to induce significant structural transformations (Lapavistas & Powell, 2013: 364). Attached to these transformations, regulation theorists articulate financialisation as the emergence of a finance-driven regime of accumulation (Boyer, 2000) and a structural shift in capitalism (Watt & Galgoczi, 2009: 190) which has resulted in a contemporary system where wealth and profits “accrue primarily through financial channels rather than through trade and commodity production” (Krippner, 2005: 174). Instead of exclusively acting as a provider of capital to the real economy, financial institutions and their associated practices “spread across the entire economic cycle” and increasingly shape the procedures of actors in a varied and pervasive manner (Marazzi, 2010: 28). Building upon this understanding, financialisation has been deployed as a means of explaining

the “systemic transformation of mature capitalist economies” (Lapavistas, 2011: 611), where global capitalism has become a “financialised” economic system aligned with and increasingly shaped by financial activities, norms and rationales (Christophers, 2012: 273).

Rather than possessing a universal form, financialisation exhibits identifiable logics and a “commonality of underlying tendencies” (Lapavistas & Powell, 2013: 375) which can be utilised as a point of entry to analyse the nuances of the uneven geographies of capitalism associated with the growing prominence of financial imperatives (Christophers *et al.*, 2013: 351). Conceiving financialisation as macroeconomic phenomena, research has addressed the role of finance in relation to the “structural dynamics” and long-term evolution of global capitalism (Christophers, 2012: 273; Pike & Pollard, 2010: 32). Contrasting perceptions do however exist amongst regulation theorists, particularly in terms of whether financialisation represents the “autumn of the hegemon” of capitalism or an entirely novel system of accumulation (Lapavistas, 2011: 615/616).

2.1.2 The slowing of growth and the acceleration of inequality

In recent years the increasing influence of financialisation has been understood as contributing to “slow and fragile” growth (Stockhammer, 2012: 61), where its processes exhibit an “intrinsic instability” which induces spatially uneven development (Marazzi, 2010: 44). Through assessing the contrasting role of financialisation in regard to different national modes of capitalism (French *et al.*, 2011: 801), research has highlighted how its processes can be mobilised as an explanation for the precarious and poor performance of real economy industries throughout mature economies

(Lapavistas, 2008). In opposition to the orthodox economics position which identifies financialisation as being a “spur to growth” (Skott & Ryo, 2007: 1), the rise of profits generated through financial channels has been met with “tepid real economic growth” and heightened levels of financial volatility (Palley, 2007: 3). Attached to the diffusion of neoliberal ideologies, the forces of financialisation and economic deregulation have established unpredictable and volatile capital markets which have enabled finance to repress traditional industries within the real economy (Kaminsky & Schmukler, 2003: 1; Altwater, 2009: 73). Risk laden, short-term, autonomous financial machinations have therefore engendered an “era of financial volatility” (Ben-Ami, 2001: 23) in which the activities of “real” sectors are undermined through the extraction of capital by financial institutions and intermediaries (Beder, 2009).

Advocates of this perspective argue that financialisation represents a disconnection of the real and financial economies, where the ruling capitalist class are able to extract wealth from the real economy and, in conjunction with the “wild creation of fictitious financial wealth”, play an autonomous role over society (Bresser-Pereira, 2010: 9). Financialisation is therefore part of the wider process of the “tendency of capital to valorise” through separating the “value from the real creation and circulation of use-values” (Teixeira & Rotta, 2012: 2). Understanding financialisation in this way is based upon the assumption that “finance becomes independent of real material production”, with the gradual separation of finance and material value-creation an inevitable outcome of the maturing of capitalism and a causal factor of systemic economic crises (Bhattacharya & Seda-Irizarry, 2014: 5). Financialisation therefore facilitates the “autonomisation” of capital from its constitutive material processes and enables it to

“valorise” itself through eroding associated “real value-creating activities” (Teixeira & Rotta, 2012: 6).

Research from this position has also addressed contemporary challenges concerning global inequality. Growing consensus has emerged concerning the role of financialised practices in accelerating and exacerbating levels of inequality throughout mature economies, as owners of both financial and physical assets have yielded substantial gains compared to the stagnant incomes levels of many working and middle-class groups (Watt & Galgoczi, 2009: 194/195). This has been described as the so-called “genius of capitalism”, as interest bearing capital enables those who control it to further expand and reproduce their wealth without necessarily putting it to work in a traditional, productive sense (Christophers, 2009: 817). The distinction between financiers and the capital class accumulating “large capital gains” and labour enduring “relatively low real wages” has therefore driven arguments suggesting that financialisation accelerates global inequality (Lavoie, 2012: 217).

This element of financialisation, based on generating wealth through circulation as opposed to production, has served to instil a “climate of pervasive insecurity” throughout a number of advanced economies where a “social and political disorientation” has emerged as a result of the empowerment of financial machinations (Marazzi, 2007: 11). The increasing financial orientation of neoliberal capitalism has therefore resulted in a characterisation of it being “hostile to the poor” (Bresser-Pereira, 2010: 3), as the financialised system enables the capital class to redistribute an increasing share of wealth and value “in their favour” (Arrighi & Silver, 2001: 262).

2.1.3 Financialisation as a “new sphere of accumulation”

Rather than the real economy being “subordinated” by the financial economy through a reorientation of the structures of capitalism, academics argue that the increasingly prominent and pervasive role of finance represents an entirely “new sphere of accumulation for capital” (Radice, 2009: 92). The core argument articulated from this position is that financialisation does not represent an “unproductive/parasitic deviation of growing quotas of surplus-value and collective saving” but rather signifies a novel mode of capital accumulation aligned to and representative of contemporary processes of value creation (Marazzi, 2010: 49). Crucial to understanding this argument is how the processes of financialisation appear to have reconfigured the complex relationships between the real and financial spheres of the economy.

In opposition to arguments which claim that the generation of financial wealth has become utterly disconnected from processes of real wealth creation, a growing body of research acknowledges the deep interconnection between the real and financial economies (Bresser-Pereira, 2010: 3). The orthodox perspective suggests that financialisation has resulted in the “decoupling of the financial sphere of the economy from the real sphere” (Van Treeck, 2009: 908), with financialisation defined as a regime of accumulation where “production is subjugated to finance, the productive to the unproductive, and the ‘real’ to the ‘fictitious’” (Bhattacharya & Seda-Irizarry, 2014: 5). Attached to this understanding of financialisation is the belief that capitalism is cyclical in nature and consists of contrasting phases of financial and material expansion which constitute its long-run development (Arrighi, 2004).

Critiques of this conceptualisation argue that the pervasive nature of financialisation has led to a distortion or blurring of these phases, with finance now inherently

attached to all forms of material or “real” economic activity (Marazzi, 2010). This theoretical perspective ruptures the “over-simple image” of capitalism as being composed of different stages of development (Braudel, 1982: 433) and supports the position that “material transformations” are always necessarily involved in the constitution and functioning of financialisation (Bhattacharya & Seda-Irizarry, 2014: 14). This perspective therefore argues that financialisation must be understood as part of an entirely new form of accumulation which is “symmetrical with the externalisation of value production” commonly attributed to contemporary variegations of capitalism (Bria, 2009: 392). Financialisation therefore appears to play a crucial role in broader structural transformations associated with how the “accumulation of surplus value has moved to the sphere of circulation, of exchange, and reproduction” and how value creation is no longer exclusive to the realms of production (*Ibid*: 389).

Throughout this novel system of accumulation the logics and practices of financialisation exist as “an apparatus to enhance capital’s profitability outside immediately productive processes” but do not necessarily equate to a full-scale separation of the real and financial spheres of the economy (Marazzi, 2010: 32). Such an understanding critiques those theories of capitalism which view it as cyclical in nature and also ruptures the perception of financialisation as merely a “spatial fix to resolve the limits of accumulation” (Gunnoe & Gellert, 2010: 270; Harvey, 2001).

Problems with studies that analyse financialisation as a new sphere of accumulation, in addition to those concerned with its large-scale and macro dimensions, surround their reliance on large data sets ascribed to national economies and how they typically neglect explanations concerning the grounded unfolding of its multiple processes. Research exclusively concerned with analysing financial accounts and the size of

financial sectors relative to entire national economies have therefore been described as “geographically anaemic”, fundamentally flawed through disregarding crucial financial geographies and “vital geographical trends in recent capitalist history” that are of critical importance to understanding the processes and uneven outcomes of financialisation (Christophers, 2012: 272). From a spatially attentive perspective, research must engage with how financial links and networks essentially act as “conduits” in the transfer and circulation of prosperity, risk and shocks, and how these conduits significantly contribute to the reproduction of uneven geographies (Ben-Ami, 2001: 25). The use of “isolated statistics” as a means of explaining financialisation and ascertaining whether economies have become financialised is therefore problematic and fails to capture the specific practices, ideas, knowledges and languages of its processes (Christophers, 2012: 275).

Regulation theorists argue that recent shifts in capitalism and the emergence of financialisation are explicitly associated with processes of globalisation and the “hegemony of neoliberalism” (Stockhammer, 2012: 39), as the overwhelming expansion of a neoliberal ideology has been accompanied by an intense upsurge in all things finance (Engelen, 2008: 111). Whilst a relationship between financialisation and neoliberalism exists, this research refutes the notion that neoliberalism constitutes and birthed the processes of financialisation and rather argues for a more nuanced understanding of neoliberalism as shaping elements of the present episode of financialisation (Sawyer, 2013). Building upon this literature, whilst acknowledging the long-term and episodic nature of financialisation as a plural set of evolutionary processes (Fine, 2007), a finely grained understanding of the phenomena will be

articulated through spatially sensitive analysis which addresses its multiple processes and core constituents across geographical scales and contexts.

2.2 Meso and micro abstractions: the financialisation of the firm and everyday life

2.2.1 “Moving to the rhythm of Wall Street”: financially-driven competition and the emergence of financialised business models

Critically important to this study is the emergent research agenda which seeks to capture increasingly pervasive role of finance at firm-level. Labelled as the critical social accountancy approach, the strand of research is “chiefly concerned with the relationships between financial markets and corporations” (French *et al.*, 2011: 801) and typically framed around assessing the extent to which the firm as an economic entity has become “increasingly beholden to the logic of finance” (Hall, 2011 A: 3). Through liberating financiers and facilitating the proliferation of sophisticated financial products (Onaran *et al.*, 2011: 637), forms of deregulation associated with globalisation, neoliberalism and financialisation have firmly positioned financial concerns as being “much more economically and politically powerful”, with firms necessarily required to adhere to the imperatives imposed by such concerns (Crotty, 2005: 85).

Often engaging with broader issues regarding “who controls the modern corporation” (Krippner, 2005: 176), this approach has generated crucial insight regarding the relationships between the rising power of financial institutions and the decline for

“corespective behaviour” between firms through an intensification of competition (Crotty, 2005: 8). Research has also analysed transformations in firm strategies and behaviour through profitability metrics and norms set by financial markets, with the firm increasingly understood as a “financialised subject” inherently exposed to the “discipline of financial markets” (Sokol, 2013: 509). In addition, the growing prominence of “debt finance” has been addressed, with firms necessarily required to accumulate debt and engage with a broad range of innovative financial products to remain financially efficient and appease financially oriented forms of market discipline (Skott & Ryo, 2007: 4).

The reconfiguration of the modern firm has occurred as a result of financialisation and its role in sharpening economic pressures and instilling a financially-driven mode of competition in which firms must “compete as an investment to meet the same standard of financial performance” (Williams, 2000: 6). Financial deregulation, emanating from a shift from Keynesian to neoliberal growth policies, has created additional competitive dynamics as external pressures germinating from the autonomous role of finance have forced firms to formulate novel strategies in order to remain successful and financially efficient in a hypercompetitive environment (Hillman & Keim, 2001: 135). Such conditions have resulted in large-scale organisational and behavioural transformations, as business strategies previously associated with specific product and market-centred disciplines and knowledges are now necessarily required to “reflect the imperatives of financial markets” (Krippner, 2005: 181). Regardless of the specific industry, corporations across sectors increasingly perceive their activity “in terms of aggregated receipts”, primarily concerned with “the bottom line, be it profit or loss” and how that impacts external valuation and market capitalisation (Ailon,

2013: 34). A critical component of analysis from this perspective is shareholder value, an ideology that has served to transform modes of corporate governance across advanced economies and fuel the pervasiveness of financialised logics at firm-level.

2.2.1.1 Shareholder value orientation

Shareholder value has been labelled as “an important constituent of financialisation” (Van Treeck, 2009: 908) and has provided the means through which academics have been able to develop a greater understanding of the phenomena (Newberry & Robb, 2008: 4). Through empowering shareholders as the critical stakeholder of the firm, corporate strategies and practices have become increasingly oriented towards extracting “surplus” capital via the “rationalisation of existing operations or acquisitions” (Ezzamel *et al.*, 2008: 108). Shareholder value has therefore “induced firms to develop a larger preference for profitability at the expense of investment”, with employment opportunities, natural growth and long-term sustainability subordinated by strategies tailored to benefit shareholders and enhance market capitalisation (Van Treeck, 2009: 908).

The ascendancy of shareholder value is therefore explicitly linked to financialisation through reflecting and enforcing the norms and behaviours of financial institutions, as French *et al* (2011: 803) suggest, the modern corporation now exhibits a “growing reliance, directly or indirectly, on capital markets, securitised products and contracts, and institutions allied to a transaction driven mode of financial activity”. Through establishing itself as the dominant mode of corporate governance in the majority of LMEs since the 1980s (Epstein, 2005: 3), practices encouraged by the ideology have legitimised and intensified financialised modes of competition (Engelen, 2003: 1369).

Aligned to the strategies advocated by shareholder value, global financial markets are able to exert greater amounts of pressure onto non-financial corporations to develop higher earnings and redistribute those earnings to avenues of their favour (Orhangazi, 2007 B).

Shareholder value and other core constituents of the variegated processes of financialisation have therefore led to the “re-engineering” of the modern firm (Marazzi, 2007: 11). The proliferation of financial imperatives has substantially reconfigured managerial priorities and objectives (Williams, 2000: 6), especially in regard to paying out “competitive dividends” to shareholders (Albert, 1993: 73). Shareholder value has eroded the “status of profit as an ultimate measure that no logic transcends”, replacing it with performance norms and metrics aimed at satisfying shareholder machinations that are not necessarily based on profit generation (Ailon, 2013: 33). Behind the ideology of shareholder value therefore lies the primary assumption that management must necessarily aim to maximise the market value of the corporation, as this serves to appease the external conditions of the corporate environment, as well as shareholders (Lavoie, 2012: 222). Acknowledging how stock market valuation can be rapidly increased through engaging with financial instruments, managers must therefore necessarily exhibit a strong degree of financial literacy and competencies surrounding the use of financial products and mechanisms (Krippner, 2005: 173/174).

Financial economists argue that pursuing shareholder value not only benefits shareholders but also generates positive outcomes for employees, consumers and local communities (Lazonick & O’Sullivan, 2000: 27). This position has however been fiercely contended, as a wave of criticism has been directed towards the

implementation of practices that hail the primacy of the shareholder. Strategies linked to shareholder value have contributed to establishing an “unstable and shaky employment world” as pressures associated with meeting quarterly financial targets have led to the subordination of employment (Ailon, 2013: 40). The logics of financial markets place very little worth in real production and the creation of jobs, meaning that employees “face the threat of rapidly changing ownership and the imposition of restructuring plans” (Rossman & Greenfield, 2007: 2). The traditional requirement of firms to support local communities, offer stable and secure employment contracts and act in ethically and morally responsible ways are therefore being undermined in the wake of shareholder value, as “anything goes in the pursuit of financial efficiency” (Dembinski, 2009: 9).

Firms also stand to endanger their own existence through operating under short-term planning horizons. Being “obsessed” with meeting quarterly financial demands has strengthened the appeal of short-term corporate logics (Rappaport, 2005: 72), where “long-term growth orientation” has been substituted by “short-term survivalist strategies” which more suitably meet the norms and principles of financialised competition (Orhangazi, 2007 A: 1).

2.2.1.2 The financialisation of the NFC

The enrolment of Non-Financial Corporations (NFCs) into the financial sphere of the economy is not solely a result of the proliferation of shareholder value ideology. A process spurred by heightened levels of international competition, domestic labour “militancy” and increased pressures associated with globalisation during the 1980s, NFCs reacted to substandard returns on investment through diverting strategies away

from physical production and reorienting them towards financial investments and intangible assets which offered greater value generating opportunities (Krippner, 2005: 182). As Arrighi and Silver (2001: 262) explain, when “decreasing returns set in” and competition accelerates, “the stage is set for the change of phase from material to financial expansion”.

Firms are concurrently deriving an increasing amount of revenue and income from “financial investments as opposed to productive activities” (Krippner, 2005: 182), as investing in “liquid reversible assets” offered by international capital markets instead of “irreversible fixed assets” (Demir, 2008: 3), particularly upon recognising the higher rates of return in the short-run, allows management to “satisfy impatient shareholders” and meet short-term targets (Baud & Durand, 2012: 252). Inadvertently encouraging “profitability at the expense of investment” (Van Treeck, 2009: 908), NFCs emulating financial institutions through the reorientation of their investment choices have therefore experienced the “swamping (of) production in terms of their contribution to company revenues” (Milberg, 2008: 7). This has resulted in a “crowding out effect on real investment” (Orhangazi, 2007 B: 6), where the growing influence of financial markets has forced corporate strategies towards goals and targets that are in no way related to their traditional operational functions (Newberry & Robb, 2008: 4). Such a process represents how financial markets have been able to repress traditional industries in the real economy (Altvater, 2009: 73), as being necessarily required to “meet the expectations of the capital market” whilst also accounting for the demands of consumer and product markets has proven to be extremely challenging (Williams, 2000: 6).

As financial investment opportunities are typically based upon short-term planning horizons and essentially equate to “growth without jobs” (Marazzi, 2007: 24), firms tend to however create “ephemeral prosperity” (Beder, 2009: 17). Exercising a financial logic and pursuing “financial profit opportunities” can therefore damage firms as profit accrued through speculative activity can often be diminished as quickly as it has been generated (Baud & Durand, 2012: 251). Through invoking a strategic orientation predominantly concerned with “short-term results” (Watt & Galgoczi, 2009: 803), firms are sacrificing the long-term sustainability of their operations and enforcing the notion that financialisation has “made production more short-sighted” (Teixeira & Rotta, 2012: 7).

Associated with the rise of institutional investors, a competitive corporate environment has therefore emerged in which short-term financial performance has become critical in terms of securing investment and militating against takeover activity (Detzer & Hein, 2014). The dispersion of share ownership, heightened levels of market capitalisation and rise of a particular type of portfolio investor that priorities high returns on investment, has resulted in hostile take-overs becoming an increasingly prominent development throughout the global economy (Schmidt, 2003: 539). Rather than being concerned with organic growth, long-term investment opportunities and sustainable profit, “impatient financial markets” continuously encourage NFCs to place stock and firm valuation as their core operational requirement (Orhangazi, 2007 A: 2). Threatened by “corporate raids” during the 1980s and predatory practices exercised by private equity (Crotty, 2005: 93), management must therefore appreciate that it is the “price that financial actors in the stock markets are willing to pay for a stock”

which determines whether a corporation will survive throughout the ultra-competitive, financialised environment (Ailon, 2013: 37).

The preceding discussion has demonstrated how financialisation is transforming firms through being able to “encourage certain forms of behaviour” whilst simultaneously discrediting other more traditional forms (Beverungen *et al.*, 2013: 104). Operating “with an eye constantly on the stock market” (Lapavistas, 2008: 25) therefore induces a multitude of practices which generate socially undesirable outcomes and could even “endanger the long-term wealth-generating capabilities” of the firm (Engelen, 2003: 1369). It must however be stressed that adopting an historically sensitive approach to financialisation, which acknowledges its episodic nature (Sawyer, 2013), means that it is difficult to conceive of how firm business models could ever be described as not financialised. A more accurate understanding surrounds historical business models being less influenced by the norms of financialisation, as identified and explained in this section, or financialised in different ways.

The meso level abstraction of financialisation is therefore vitally important to this research, as the transformation and financial reorientation of the firm evidently performs a crucial role in constituting the “growing asymmetry between production and circulation” (Lapavistas, 2013: 794). Whilst it can therefore be argued that financial institutions have grown their influence over the organisation of real economic activity, further research is required to understand and ground the processes related to how firms adapt to and accommodate the proliferation of financialised imperatives (Gunnøe & Gellert, 2010: 266). In addition, financialisation literature has also largely been preoccupied with equity finance and shareholder value at the expense of debt, banks and bondholders, a trend which analytical chapters address. Analysing and

deconstructing the relationship between firm and finance across variegated institutional contexts will therefore prove crucial towards developing a finely grained, spatially sensitive explanation of financialisation.

2.2.2 Financial market participants: sociocultural accounts of financialisation

Academics have begun to address the inherently social nature of financialisation. Much of this research has emerged from what French *et al* (2011: 801) label the “sociocultural perspective”, an analytical framework principally concerned with the “financialisation of everyday life”. Regardless of a general feeling toward finance and its intermediaries, spurred by the recent crisis, as being “characterised by a pervasive sense of distrust” (Ben-Ami, 2001: 10), finance has been able to enter into the everyday lives of individuals in a highly ubiquitous yet banal manner.

The “intense commodification of finance” has facilitated the transmission of a financial logic into the everyday lives of individuals (Lee *et al.*, 2009: 727). Beverungen *et al* (2013: 17) offer an accurate explanation of the reductionism associated with such a process:

“Finance imposes a certain logic on our daily lives, one in which the distinctions between business and life begin to blur, and all actions and decisions can be reflected on in financial terms”.

As money and finance have “permeated almost every sphere of social and cultural activity”, the daily practices ascribed to such activity have been reduced to “monetary calculation”, therefore exposing individuals to financial institutions and their often amoral imperatives (Christopherson *et al.*, 2013: 351). Rather than being a static,

“spectacle of the economy”, finance must now be understood as a space through which individuals are necessarily required to actively engage and participate with as a means of defining and articulating their identity (Coppock, 2013: 481; Martin, 2002; Langley, 2007).

The most common way through which research has identified the permeation of financialisation into the everyday lives of individuals is through the “unstable accumulation of household debt” (Lapavistas & Powell, 2013: 362). Debt is now seen as a “structural necessity”, with notions of guilt previously ascribed to debt fundamentally reversed, resulting with indebtedness seen as the “entry price of being a good citizen” (Neilson, 2007: 1). From the global firm to the working-class individual, all economic actors are expected to “start thinking like investors in the financial markets”, as embracing risk and indebtedness has been normalised as a means of achieving financial success (Mandel 1996 – In Finlayson, 2009: 402). Rather than being “harmful and damaging”, the permeation of a financial logic into everyday lives has fundamentally reconfigured the perception of financial risk into more of an investment opportunity and means of achieving prosperity (Hall, 2011 B: 405/406; Langley, 2007), proving to be a critical stage in the evolution of the now supposedly “high risk society” (Mandel, 1996 – In Finlayson, 2009: 402).

An important element of this process has been affirming and consolidating individual financial success as a vitally important “aspect of capitalist cultures” (Kasser & Ryan, 1993: 410). Enticed by the “drug of easy credit” (Dholakia, 2012: 8), consumers have been able to fulfil their financial aspirations whilst being simultaneously enrolled into the global financial system and subject to the requirements of financial actors and institutions. Pursuing financial aspirations may be detrimental to personal well-being

as it “represents a primarily extrinsic motivational orientation that can oppose autonomy and actualisation” (Kasser & Ryan, 1993: 411). The “demands of profitability imposed by financial capitalism on the entire society” have therefore led to a sharpening of pressures associated with meeting such growth and profit requirements, fundamentally challenging social cohesion and threatening living standards through attempts to appease a volatile growth-led model (Marazzi, 2010: 45). Processes of financialisation have therefore evolved mutual indebtedness into a more “general feature of human sociality” and, in doing so, enabled finance to permeate the everyday lives of individuals (Martin, 2009: 108).

A critical review of literature from this perspective has served to demonstrate the “extended and deepened social and spatial reach of financial intermediaries and practices” and has highlighted how financial imperatives, pressures and intermediaries have a growing influence on everyday life (Pike & Pollard, 2010: 34). Preceding arguments suggest that the logics of financialisation manifest differently throughout macro, meso and micro levels of abstraction, permeating the consciousness of individuals in different ways across geographical contexts. Acknowledging the personal level of financialisation therefore becomes crucial towards gaining a firmer understanding of how actors, influenced by the spatio-temporal setting in which they exist, enact and constitute the form, processes and geographically variegated nature of financialisation.

2.3 Variegations in capitalism: the role of the state and accompanying institutions

2.3.1 Varieties of capitalism

Capitalism essentially “wiped out the competition on the path to total victory” in terms of a global system of accumulation (Albert, 1993: 5), and following the end of The Cold War it was accepted that it would “inherit the earth”, with a widespread assumption that there would be “one world, one best way, no alternatives” (Peck & Theodore, 2007: 731). Seminal work by Albert (1993: 5) however, argued that capitalism must be conceived of as a practice, or set of interchangeable processes, susceptible to transform through mediation via unique social and economic architectures ascribed to particular nation-states. Such insight formed the VoC research agenda, where studies aimed to answer questions surrounding whether a sole form of capitalism existed or whether contrasting forms of capitalism could coexist within an increasingly globalised society (Boyer, 2005: 1).

VoC offers a broad theoretical framework from which research is able to engage with how “institutional diversity” constitutes geographically differentiated forms of national capitalism (Deeg & Jackson, 2007: 150). Developed from “historical institutional approaches”, research has been fundamentally concerned with the role of “institutions, political cultures and organisations” ascribed to nation-states and how they generate contrasting socio-economic outcomes (Gamble, 2004: 33). VoC assumes that nation-states possess “distinct institutional ecologies” that shape and condition the behaviours and strategies of actors through the “functional complementarities of the relationships among multiple institutions” (Dixon, 2011: 196). Differences in

national institutional “complementarities” inevitably lead to contrasting modes of corporate governance, patterns of investment, firm cultures and social dynamics (Kang, 2006: 2). The “distinctive institutional architecture” and historically reproduced “cultural configurations” of particular nation-states are therefore able to “channel, mediate and filter common challenges in highly specific ways”, resulting in the reinforcement and reproduction of historically constituted national particularities (Hay, 2000: 5). An underlying assumption of VoC is therefore that the specific “institutional configurations” of nationally framed types of capitalism generate a “particular contextual logic or rationality of economic action” (Deeg & Jackson, 2007: 152).

As a theoretical framework, VoC facilitates inquiry into the different types of national capitalisms and the role actors and institutions play in reinforcing resultant distinctions (Howell, 2003: 121). Rather than extensively reviewing the vast literature surrounding VoC, following sections address the development and recent critiques of the approach, devoting particular attention to the role of finance in establishing and reproducing not only national but inherently variegated and heterogeneous expressions of capitalism. In this sense, combining financialisation with VoC brings greater sensitivity to the impact of subtle variations in institutions across space and this provides the basis towards problematising the partial spatial lacuna present throughout financialisation literature.

2.3.2 The dichotomy of capitalism

Brenner, Peck and Theodore (2010: 185) argue that the VoC framework constructed an “idealised capitalist universe” between Liberal Market Economies and Coordinated

Market Economies, in which these “antagonistic” and “mutually exclusive” forms of capitalism exist and compete. Acknowledging the international comparative dynamic of this research, this section compares and contrasts Britain and Germany as examples of LMEs and CMEs respectively. As the VoC approach relies heavily on the deployment of the firm as the key constituent of the variety of national capitalisms, this section also analyses the role and distinction between firms across both systems. Whilst the LME/CME dichotomy provides a general framework and entry point to analyse distinctions in capitalism over space and time, its usefulness in terms of accurately explaining the variegation of capitalism is critiqued.

Along with the United States, Britain is often heralded as the archetypal liberal market economy (LME). Central to the composition of LMEs are “loosely coupled relations between industry, finance, and government” (Lutz, 2000: 6), the primacy of the shareholder (Dixon, 2011), and the relatively diminished role of government, acting merely as a “guarantor of market transparency” (Lutz, 2000: 7). Proponents of the LME model assert that the “dependency syndrome” instilled by increased levels of state welfare and social security breeds “laziness” and “irresponsibility”, ultimately frustrating growth and development (Albert, 1993: 7).

Acting as an “operating framework” or “ideological software”, neoliberalism shapes the structures, institutions and governance norms of LMEs (Peck & Tickell, 2002: 280). States shaped by the growing dominance of neoliberalism typically invoke “four institutional logics” in the form of “economic deregulation [...] welfare state devolution [...] a proactive penal apparatus [...] and the cultural trope of individual responsibility” (Wacquant, 2012: 213). Linked to the articulation of these logics, neoliberalism has driven LMEs towards particular financial policies which enable the “liberalisation of

monetary and financial flows” (Deeg & O’Sullivan, 2009: 732). The ideologies, functions and strategies of governments therefore increasingly match and are tailored towards the norms and requirements of global financial institutions, often at the expense of specific demands of the national economy (Yeldan, 2006: 211).

The archetypal LME firm is not conceived of as a community asset of economic and social wealth but rather a “collection of contractual arrangements” between actors possessing mutual interests based upon short-term financial gains and subject to frequent alterations (Albert, 1993: 146). They tend to operate with “arms-length relations and formal contracting” (Hall & Gingerich, 2009: 5), with firm activity in Britain during the post-war period described as “competitive, contractual and individualistic” (Schmidt, 2003: 529). Deriving finance from “short-term, risk capital” and responding to the imperatives of international stock markets (Goyer, 2006: 4001), LME firms typically provide “radical innovation” and are encouraged to progress relatively quickly in terms of developing new products and processes of production (Ozveren *et al.*, 2012: 24). As with other LMEs, the shareholder of the British firm is “king”, their expectations regarding profits, dividends and share prices supersede other strategic goals which are often regarded as merely “anecdotal” (Albert, 1993: 74).

In contrast to Britain, Germany has been hailed as the prime example of a Coordinated Market Economy (CME). CMEs are characterised by “dense regulatory networks and long-term, structural relationships” (Peck & Theodore, 2007: 736), heightened levels of consensus, cooperation and “strategic integration” between actors and institutions (Hall & Gingerich, 2009: 5), and, fundamentally, a more active role of the state in terms of mediating economic and social concerns (Pistor, 2005). The “trust-based” German

form of capitalism (Annesley et al., 2004: 80) and its unique milieu of socio-economic institutions have created an internationally competitive economy based upon successful export-led development, where individuals have benefited from stable employment relations and relatively high wages (Streeck, 1995: 2). Based upon an export-led development model (Detzer & Hein, 2014), Germany has benefited from great levels of social equity and operational efficiency (Brenner *et al.*, 2010: 185), where long-term, stable relationships between socio-economic actors persist and consensus acts as the “glue” which binds together this “power-sharing model” (Albert, 1993: 12).

The financial sphere of an economy is justifiably a core component of the wider variegation of capitalism and Germany has been hailed as the “paragon of a bank-based financial system” (Deeg, 2009: 571). Coordinated models tend to “favour the banks over the brokers”, a principle which is said to negate the “opportunities to make *fortunes quickly*” and also ensures long-term financial stability (Albert, 1993: 11 emphasis in original). The existence and availability of “patient capital”, as opposed to “short-term, risk capital”, has become a distinctive component of the CME mechanism (Goyer, 2006: 401; Hall & Soskice, 2001). Patient capital is “fundamental to non-market coordination” and serves to protect management from short-term financial imperatives through promoting large-block shareholders (Culpepper, 2005: 175). Willingness therefore exists for firms and investors to support long-term strategies, a notion which represents the broader cultural attitude towards promoting and encouraging “long-term commitments and continuity” (Streeck, 1995: 2; Lutz, 2000). Such norms have established an environment antagonistic towards “risk-friendly investors” and served to maintain relatively low levels of financial volatility and instability (Vitols & Engelhardt, 2005: 4).

In contrast to the financially oriented conception of the LME firm as a “cash flow machine” (Albert, 1993: 146), German and CME firms have been articulated as “social institutions” that are open to “extensive social regulation” and are necessarily responsible for the local communities in which they operate (Streeck, 1995: 9). Firms are conceived as “complex organisms” that must remain attentive to the wide ranging requirements of all associated stakeholders (Albert, 1993: 12). They are also encouraged to act cooperatively and to maintain “close connections between customers, suppliers and the bank” (Schmidt, 2003: 529). In conjunction with the long-term planning horizons associated with patient capital, these firms typically provide “incremental innovation”, with stable yet continuous growth along a risk-averse development trajectory (Ozveren *et al* 2012: 24).

This section has detailed the fundamental principles and assumptions of the VoC approach. It is critical for this research as it demonstrates the integral role of finance and its relationship with the firm which appears to be a “core institutional dimension” and constitutive element of the “overall logic and comparative institutional advantage of each national economy” (Deeg, 2009: 553). The firm is a crucial component in the enduring variegation of capitalism, yet a significant flaw in the VoC literature resides with the inaccurate assumption that all firms “adhere to the ideal type of firm in a CME or an LME” (Allen, 2004: 105). Such an assumption creates an unrealistic and static conception of the relationship between firm and institution. Whilst the firm therefore plays a central role in aggregating the overall economic performance of a particular variegation of capitalism, it does not necessarily adhere to and exercise the specific institutional logics ascribed to the system in which it operates (Hall & Gingerich, 2009:

4). A misguided orthodox VoC assumption is therefore that each variety of capitalism “can be characterised by a representative firm” (Deeg, 2009: 553).

Analytical chapters therefore remain attentive of firm-agency and the inherent differentiation of firm preferences and behaviour’s, refraining from conceptualising every firm as oversimplified reflections of a particular form of capitalism (Dixon, 2011: 195). Critically addressing the differences in firm activity within and between different forms of capitalism will therefore permit a finely grained explanation of financialisation which accounts for heterogeneity in the enactment of its logics, principles and practices over space and time.

2.3.3 Variegated capitalism: acknowledging the plurality, variegation and uneven expressions of capitalism

2.3.3.1 Problematizing methodological nationalism

As economic geographers it is vital to “problematise spatial variegation”, it is however equally important to problematise the geographical scale through which this type of analysis is framed (Dixon, 2011: 197). For research analysing the spatial unevenness of financialisation, critically assessing the usefulness of national boundaries as the most suitable geographical scale to account for capitalism becomes crucial in terms of developing an analytical framework.

The usefulness of framing analysis at the national level derives from the fact that distinctive institutional environments are “underpinned by national legislation” (Soskice, 1999: 112). National types of capitalism have emerged through institutional

structures, practices and behaviours being nationally rooted and constrained (Coates, 2000: 164), with the form and functioning of specific institutional frameworks explicitly moulded by the particularity of national cultures, sovereignty, judicial power and territoriality (Peck & Theodore, 2007: 739). Research based upon this understanding has fuelled the development and evolution of VoC literature through analysing and comparing “concrete national cases” (Radice, 2004: 184), in turn reinforcing the nation-state as the “natural institutional container” (Brenner *et al.*, 2010: 187). Nationally framed approaches have proven valuable through disputing the “flattening tendencies in orthodox globalisation discourse”, highlighting the ranging and often contrasting institutional and cultural characteristics which remain persistent throughout global capitalism (Brenner *at al.*, 2010: 206).

Whilst acknowledging that a range of structural, organisational and behavioural differences exist between institutions ascribed to particular “national jurisdictions” (Gamble, 2004: 33), a more nuanced and sophisticated approach is required to understand the specificities of the sub-national constitution of particular varieties of capitalism. In this sense, the national scale is by no means exclusive in offering an avenue to explore the variegation of capitalism. Research undertaken at the national scale has been accused of subscribing to an inaccurate and exaggerated understanding of geographical difference, where nationally framed conceptions of capitalism endure through inflated accounts of their common structures and principles (Dixon, 2011; Peck & Theodore, 2007). The belief that varieties of capitalism are “national” is problematised by the array of institutional domains being governed, regulated and controlled at sub-national and supra-national levels (Deeg & Jackson, 2007: 172).

In part addressing calls for a more coherent understanding of the “temporality and spatiality of uneven capitalist development across political economies”, this research aims to address the knowledge gap emanating from VoC research which solely frames analysis exclusively at the national scale (Dixon, 2011: 197; Peck & Theodore, 2007). Problematic assumptions surrounding the inherently “endogenous” preferences of firms, as well as the constant and uniform role of institutions throughout varieties of capitalism, have resulted in an approach exhibiting a diminished appreciation of internal variegation (Allen, 2004: 87). Analysing the strategies, activities and behaviours of particular firms operating across contrasting institutional terrains will adhere to those calls for a “firm-focused variegated capitalism approach” and inevitably critique the more static, nationally framed analyses which have dominated the research agenda (Dixon, 2011: 194). Acknowledging differences between liberal market and coordinated market economies, this research aims to move away from the view of a “bipolar global economy comprising two competing capitalisms” and examine the nuances and specificities of capitalism through a spatially attentive lens (Peck & Theodore, 2007: 731). Whilst the comparative element of this thesis demands a degree of nationally framed analysis, this research refutes the theorisation of the state as a natural container of homogenous economic processes, including financialisation.

2.3.3.2 Convergence, divergence and the notion of variegation

Debate has grown in recent years over whether globalisation and its associated pressures are forcing distinctive forms of national capitalism to “converge on a single model” (Perraton & Clift, 2004: 195). Arguing that a globalised society nullifies any

opportunity for the coexistence of distinct variegations of capitalism (Deeg, 1999), academics have suggested that the diffusion of liberal market impulses, cultures and strategies are generating a “neoliberal monoculture” where financial globalisation and liberalisation are resulting in the “annihilation of variety” and an eradication of the CME (Brenner *at al.*, 2010: 187). Based upon neoclassical theoretical interpretations (Hay, 2000: 10/11), convergence occurs through increased levels of liberalisation and deregulation which induce a reengineering of national economies “toward more market-oriented institutions” (Deeg & Jackson, 2007: 153). Building upon notions of “predatory neoliberalism” (Hay, 2000: 1), research has therefore argued against the possibility of the prolonged existence of alternative capitalist systems (Perraton & Clift, 2004: 222), suggesting that the “palpable threat” of neoliberalisation will inevitably result in the “unravelling” and dismantling of the CME (Brenner *et al.*, 2010: 186).

Based upon the assumption that a “shift towards market finance” is a “necessary element of the long-run development of capitalism”, the coordinated model is therefore intrinsically exposed to the risks associated with creeping financialisation and economic deregulation which may undermine stable and coordinated institutions (Sablowski, 2008: 156). The pervasive nature of financialisation and the hypercompetitive environment it serves to establish therefore pose as a threat to the trust-based relationships which constitute the distinctiveness of the CME model. Such relationships are understood as being “hard to build and easy to destroy”, resulting in a system which is “always at risk” and susceptible to external influence (Goodin, 2003: 211/212).

Financial globalisation has played a significant role in the convergence of systems, with the internationalisation of financial markets weakening alternative forms of capitalism

through reshaping and reorienting their institutional relations and complementarities (Perraton & Clift, 2004: 222; Dixon, 2011). More generic forms of economic deregulation are also resulting in significant changes concerning the way firms practice business (Schmidt, 2003: 537), with the widespread adoption of shareholder value understood as an outcome of deregulation and representative of the convergence process towards a single market-driven model (Goyer, 2006: 400). Through acknowledging the importance of modes of corporate governance in determining the performance levels of firms, several industries across a range of CMEs have witnessed the emulation of particular strategies, practices and general business models of counterpart firms achieving greater economic success in LMEs (Radice, 2004: 190).

Commentators have suggested such convergence tendencies are becoming increasingly apparent in Germany, with a shift towards the liberal market model “on the way” (Sablowski, 2008: 136). For German firms, the growing influence of and ease of access to global financial markets and networks provides a “means for firms to defect from the constraints of the local institutional environment” (Dixon, 2011: 202), with heightened levels of market capitalisation, a result of financial globalisation, viewed as reflecting the growing role of shareholder value (Schmidt, 2003: 539). Transformation has also been signified by the increasing use of foreign capital markets by German firms, where investors tend not to be “patient” but rather more concerned with “short-term profit maximisation” (Sablowski, 2008: 144). The internationalisation of finance has therefore reconfigured the role and function of many of German firms, as an increasing number of larger companies are not only being listed on foreign stock markets but also adopting certain governance structures and corporate strategies which match the preferences of international finance (Lutz, 2000: 19).

In contrast, a growing body of research has examined divergence tendencies, with evolutionary economic geography concepts such as path dependency being deployed to highlight the place-specific and unique development trajectories ascribed to particular variegations of capitalism (Pistor, 2005). Whilst advocates of neoclassical theory would emphasise convergence tendencies, those commentators more attentive to an “institutional frame of reference” assert how each model retains particular characteristics through developing along unique socio-economic evolutionary routes (Hay, 2000: 10/11). Rather than external pressures instilling a wave of convergence towards a “one-size-fits-all neoliberal form of capitalism” (Schmidt, 2003: 526), particular variegations of capitalism develop through “historically rooted trajectories”, a notion which refutes the inevitability of convergence and advocates the opportunity for “ever increasing variations” (Levi-Faur & Jordana, 2005: 193; Busch, 2004). Rather than being “fragile” and susceptible to converge towards the liberal market model (Hall & Soskice, 2003: 245), this perspective empowers CMEs as resilient through their particular institutional frameworks existing as “hostile environments” (Vitols & Engelhardt, 2005: 2) that are well equipped to “halt externally induced processes of adaptation” aligned with processes of globalisation and neoliberalism (Lutz, 2000: 24).

Research from this perspective is naturally more concerned with “institutional distinctiveness, embeddedness and path-dependent development properties” which perform crucial constitutive roles in the form and endurance of particular types of capitalism (Hay, 2000: 15). The domestic financial systems of CMEs are crucial to their existence, as the regulation and coordination of these systems maintains the “viability of institutional diversity” through serving to establish financial environments which protect firms from the external pressures and impulses emanating from neoliberalism

and globalisation (Culpepper, 2005: 173). CMEs and their specific institutional environments therefore appear able to “refract common international pressures differently” (Deeg, 1999: 5), and such insight demonstrates how convergence upon a liberal market form of capitalism is “by no means guaranteed” (Hay, 2000: 31).

From this discussion important notions of “hybridisation” have emerged, a process thought to occur when actors and institutions attempt to combine different principles and cultures from contrasting systems (Goyer, 2006: 403). Campbell and Pedersen (2005: 1) use the experience of Denmark as a means of highlighting hybridisation, a nation-state traditionally described as exhibiting CME characteristics that has, in recent years, began to adopt certain “aspects of the LME type” whilst retaining much of the general qualities of its original format. Rather than wholesale national transformations, the concept of hybridity fuels an understanding of the variegation of capitalism through demonstrating the heterogeneity of institutional environments and the potential for change through specific markets, institutions and local economic geographies.

2.3.3.3 Variegated capitalism

The fundamental difference between the VoC and the variegated capitalism approach resides upon contrasting theoretical assumptions. Rather than a fixed view of two “mutually exclusive and indeed antagonistic” systems within contemporary society, the variegated capitalism approach assumes an inherent opportunity for variegation throughout the global capitalist system (Brenner *et al.*, 2010: 185). Building upon the critiques in previous sections, the progression into variegated capitalism has generated an appreciation of how rather than external pressures emanating from

neoliberalisation or globalisation leading to overarching systemic changes, “certain islands of practice or specific institutional zones” may be where more nuanced transformations occur (Peck & Theodore, 2007: 740). Whilst still recognising how particular variegations of capitalism appear to possess an “identifiable logic of action” (Deeg & Jackson, 2007: 172), an appreciation of the inevitability and unpredictability of the pluralisation of capitalism may enhance research through rupturing the oversimplified notion that capitalism has only “two personalities” (Albert, 1993: 18).

With growing concerns in regard to “dualism” and “bipolarity” (Streeck, 2010: 28), critiques of VoC have expressed discontent with approaches that merely focus on whether forms of capitalism are “either undergoing convergence or entrenched in path dependency”, labelling such research as “superficial and unsatisfactory” (Macartney, 2009: 479). A more nuanced understanding of the inherent variegation of capitalism can therefore be developed through devoting attention to the constitutive role of “geoinstitutional difference” whilst also refraining from a shift towards an oversimplified, idealised capitalist macrocosm which exhibits a “bipolar axis” (Ozveren *et al.*, 2012: 23; Brenner *et al.*, 2010: 207).

This section has critically reviewed the ranging critiques of the VoC literature and served to demonstrate how geographically variegated institutional and socio-cultural structures exist as part of different forms of capitalism. Whilst the VoC literature is “theoretically sophisticated” (Howell, 2003: 105), there are definite “dangers of oversimplification” in regard to its functioning as a theoretical framework and point of departure in analysing financialisation throughout contemporary capitalism (Levi-Faur & Jordana, 2005: 194). Whilst predicting the outcome of either convergence or divergence will not be explicitly addressed throughout this research, it is important to

understand how processes of financialisation contribute to the transformation of socio-economic landscapes and how a range of complementary factors render national institutions susceptible to change. With no fixed, static or exclusive structure to be observed at the national scale, this thesis therefore understands capitalism as inherently variegated, where analytical chapters demonstrate how this variegation constitutes, shapes and mediates the processes of financialisation.

2.4 Addressing anaemic geographies of financialisation

2.4.1 Grounding the omnipresent: the inherently spatial nature of financialisation

Economic geographers have, albeit gradually, began to account for the “inherently spatial nature of financialisation” (Sokol, 2013: 503), with a limited yet growing number of “spatially nuanced studies” addressing the geographical dimensions of financialisation (Wainwright, 2012: 1284). Whilst the “seeming chaos of social, economic and political activity observable on the ground” makes it increasingly challenging to identify and analyse the commonalities of financialisation across contrasting institutional contexts (Harvey, 2010: 154), research has begun to take the roles of space and place seriously in the uneven unfolding of financialisation.

It would be inaccurate to conceive of financialisation as geographically neutral, as limited geographical research has already revealed it as “quintessentially a process of geographically uneven development” (Christopherson *et al.*, 2013: 352). Geographical engagement has demonstrated how the “geographies of space and place are necessarily intertwined with financialisation” (Pike, 2006: 201), how financialisation must inevitably invoke geographical discussion through leading to “very different

results” in terms of a range of socio-economic parameters (Van Treeck, 2009: 936), and how it is theoretically flawed to conceive of a financialising economy but rather more appropriate to think in terms of “financialising economic geographies” (Sokol, 2013: 504). In addition, the development of a “financial ecologies” approach has further reinforced the geographical dimensions of financialisation through identifying the structure of the international financial system consisting of “small, spatially variegated financial ecologies” (Leyshon *et al.*, 2004; Coppock, 2013: 482). Such a perspective has ruptured the oversimplified binary of individuals and institutions either being included or excluded from the financial system, as well as demonstrated the “diverse and geographically stratified ways” through which actors interact with finance (Hall & Leyshon, 2013: 832).

In stark contrast to O’Brien and Keith (2009: 246) who assert the death of geography due to heightened forms of globalisation and pervasive impacts of financial deregulation, a plethora of studies have emphasised the growing importance of geography throughout a deeply interconnected global capitalist system. The “globalised financial space” has proven to be the “locus for contagion and contamination”, significantly impacting places differentially through facilitating and catalysing the free movement of both “capital and risk” (Brender & Pisani, 2009: 105). Debt is able to “spread its blanket” and create, reconfigure and terminate relationships between actors and institutions regardless of their physical location (Neilson, 2007: 2). The financialisation of business practices has also resulted in a reconfiguration of the relationships between places, as research has identified how “physical value chains are being elongated and recalibrated to extract additional cash”, especially in terms of TNCs and their operations which transcend national boundaries and incorporate large

numbers of physical locations into their production processes (Haslam *et al.*, 2013: 4; Milberg, 2008). As well as this, instead of oversimplified articulations of the global financial system, the role of geography has been further enhanced through research concerning the differentiated nature of international finance, with “domestic-national, supra-national regional and international” constituents shaping its varied form, function and material outcomes (Thompson, 2010: 127).

A related and critical strand of research surrounds the role of financialisation in restructuring specific sectors and their geographies through the transformation of firm strategies. Research has addressed the growing importance of “value crystallization”, as opposed to “value creation”, as part of the financialisation of traditionally old economy sectors and industries (Erturk *et al.*, 2008: 27). In this vein Allen and Pryke (2013: 436) analyse the emergence of a “financialised infrastructure” model in the case of Thames Water, where privatisation of the water industry in England and Wales has provided the conditions for a financialised *modus operandi* through which securitisation and other forms of financial innovation have “engineered benefits more for investors than customer households”. Through demonstrating how water infrastructure in this case has been privatised and “politically ring-fenced”, this provides insight concerning the role of the state in enabling financialisation and shaping its geographical dynamics (*Ibid*: 436). In addition, the transformation of households into financial assets demonstrates how financialised firm practices serve to rework sectoral norms and logics (*Ibid*: 437).

Much of this research relates to the growing dominance of what Fligstein (2008: 313) refers to as the “finance conception of control”, where a study focusing on the decline of American industry argues that management decisions are increasingly driven by the

necessities of finance as opposed to production. Kadtlar and Sperling (2002) place this type of research within the context of Germany, examining how the pressures of financialisation have reworked the auto industry through placing shareholder and investor demands above worker and broader stakeholder interests. Their findings suggest that this form of financialisation is reworking the geographies of the auto industry through an increase in the “opportunities for transnational relocation of industrial production”, mainly as a response to financial pressures (*Ibid*: 164). The relocation of productive capacity, rationalisation of supply chain components and growing merger activity all reflect the uneven geographical outcomes of financialisation. Relatedly, Baud and Durand (2012) in their analysis of major US retailers explain the role of financialisation in rapidly expanding return on equity during a period of stagnant revenue growth. Strategies aimed at delivering greater returns to shareholders, such as the financialisation of physical assets and rationalisation of supply chains, served to alter the competitive dynamics of corporate retail and also transformed international and local geographies in terms of both production and distribution networks (*Ibid*).

Other examples exist including the financialisation of Western manufacturing, which has experienced a “finance-led deindustrialisation” based on retaining incomes as opposed to reinvesting (Onaran & Tori, 2017: 3). There is however an uneven geography to the financialisation of manufacturing, as countries such as Britain have experienced “stagnant demand and investment” as a result of “short termist behaviour and decisions exclusively aimed at maximizing dividends distributed to the shareholders”, partly because of regulatory and institutional settings incentivising such behaviour (*Ibid*: 4). Berghoff (2016: 90) explains that this type of financialisation has

resulted in corporate strategies based on “offshoring, outsourcing and divesting”, particularly in LMEs such as the US. Related implications, namely job losses through plant closures and “increasingly flexible and insecure” employment contracts, are therefore inherently geographical and based on the extent to which institutional conditions foster the enactment of financialised practices (Berghoff, 2016: 88; Tomaskovic-Devey *et al.*, 2015).

Similarly, the financialisation of food and agriculture markets has experienced financial interests increasingly shaping and reorienting agri-food supply chains (Burch & Lawrence, 2013). Financialisation has catalysed “distancing” in the global food system, which partly reflects an increase in the “number and type of actors involved global agrifood commodity chains” and has also “abstracted food from its physical form into highly complex agricultural commodity derivatives” (Clapp, 2014: 797). The process of distancing has reshaped physical commodity chains through international merger activities and an explosion in investment in agricultural derivatives has rapidly increased the volatility of prices worldwide and made food inaccessible for the poorest and most vulnerable global communities. These transformations demonstrate uneven development as a direct consequence of the “evolving and deepening connection between finance and agriculture” (Salerno, 2014: 1709).

On a much broader scale, O’Brien and Pike (2017: 228) discuss the growing financialisation of infrastructure, where financialised mechanisms have emerged to profit from an increasingly privatised global infrastructure market consisting of assets “that provide long-term, income-oriented investment returns”. Financialised interests driven by an “underlying profit motive” have however resulted in an “uneven geography of investment”, as local, regional and national disparities in infrastructure

provision are being exacerbated by financial interests increasingly concentrating investment in perceivably profitable projects (*Ibid*: 230). Importantly, this research identifies geography as a “critical feature” in the financialisation of infrastructure, where inherent geographical differences in infrastructure opportunities, governance structures and predicted rates of profitability underpin concentrations in investment and subsequent development opportunities for local communities (*Ibid*: 248). Whilst studies acknowledge the role of financialisation in reorienting corporate decision-making and potentially undermining the sustainable growth of particular sectors (Lazonick, 2010), further research is required to explain the uneven role of geography in the processes and outcomes of such transformations.

This type of research provides scope to analyse how conflict between financial and “non-financial calculative logics” are transforming pubs in Britain and exacerbating their uneven geographies (Erturk *et al.*, 2008: 36), as other sectors throughout a range of different contexts have witnessed financialisation rework their appearance, operations and geographies. “Corporate financialisation” must therefore be understood as a driving force in the “structural transformation” of specific sectors and the realignment of actor preferences, yet these transformations are heterogeneous in nature and geographically dispersed (Aalbers, 2017: 1). In terms of explaining this uneven development, Froud *et al* (2008: 349) through their analysis of General Electric argue that certain principles of financialisation generate and shape “undisclosed business models” matched by narrative and performative “moves” which aim to provide shareholder value and appease financial machinations. Analytical chapters will identify and explain the “narrative claims and performative assumptions” of pubcos in

Britain as a means of unravelling the multifarious relationships between the processes of financialisation, pubs and their uneven geographies (*Ibid*: 343).

Importantly, conceptualising financialisation as a plural set of processes requires understanding the role of geography in terms of its uneven enactment, as contrasting spatial contexts influence the principles, norms, actors and outcomes of financialised practices (Harvey, 2010: 143). In other terms, specific “institutional, historical and political conditions” serve to shape, mediate and constitute the inherent variegation of financialisation (Lapavistas & Powell, 2013: 359). Financialisation must therefore not be understood as a universal process which manifests itself consistently across contrasting political, institutional and social architectures (Engelen, 2008: 114) but rather a plural set of processes which create and exacerbate levels of “material, social, and political unevenness” (Pike & Pollard, 2010: 34).

Rather than a singular, top-down process as argued throughout many of the “globally framed narratives”, financialisation must be conceptualised as geographically constituted and expressed, as well as inherently spatially and temporally variegated (Wainwright, 2012: 1284). Whilst financialisation exhibits common features and is underpinned by generalisable characteristics, its spatial and temporal variegation relates to how its processes assume different forms and induce contrasting material outcomes over both space and time due to mediation from geographically particular institutional norms and structures. Considering firm-level financialisation, its core logics are therefore enacted and translated into specific behaviours, practices and narratives which relate to and are dependent upon space-time. Analytical chapters aim to demonstrate how geography, through playing a “constitutive, and not merely

expressive” role (Martin & Pollard, 2017: 1), is the critical factor in sustaining the changing, malleable and dynamic qualities of financialisation.

In order to address the theoretical gaps emanating from research being “insufficiently attentive to space and place” (French *et al.*, 2011: 800), financialisation research must gain a deeper understanding of the “spatial choreographies of financial flows” and the process of how these flows interact and embed with different actors and institutions across geographical scales (Christophers, 2012: 276). Research must therefore necessarily engage with the geographies of money and finance in order to develop a more coherent understanding of how finance and the processes of financialisation play significant roles in the “(re)production of social and spatial inequalities” (Sokol, 2013: 501). Rather than merely a “spatial container of socio-economic relations” or an “empirical surface” on which the outcomes of financialisation are carved upon, research must empower geography as crucial in terms of shaping and constituting the ranging forms, processes and outcomes of financialisation (French *et al.*, 2011: 808).

This research aims to fundamentally address the “underemphasised role of space and place” associated with prior studies (Coppock, 2013: 479) through not only attributing greater importance to them but basing analysis upon their “constitutive role” in shaping and reproducing the uneven geographies of financialisation (French *et al.*, 2011: 811). Analytical chapters therefore aim to identify and explain the casual and constitutive role of geography in the enactment of financialisation across distinctive variegations in capitalism.

2.5 Moving towards an analytical framework: existing literature, research aims and making sense of data

This chapter has reviewed the different levels and foci addressed by the financialisation literature, with very few attempts to integrate these different levels and types of analysis. Through adopting a firm-centred approach which analyses the enactment of financialisation across distinctive institutional architectures, this thesis seek to move in this direction by linking firm, industry and national variegation of capitalism together. This will facilitate a much more finely grained understanding of the financialisation the firm, which exposes its myriad of processes across geographical scales and contexts.

This section aims to briefly outline the justification behind the inclusion of each component of the literature review, before introducing an analytical framework which provides the foundations for following chapters. Fundamentally, a critical review of each body of literature has been undertaken to develop the core constituents and clear indicators of the processes of financialisation for analytical chapters.

2.5.1 Epochal change: macro perspectives of financialisation and contemporary capitalism

Critically reviewing financialisation research undertaken from a macroeconomic perspective has been a crucial exercise. Upon acknowledging how this study aims to engage with the processes and geographically uneven expressions of financialisation across national contexts, understanding the large-scale and long-term dynamics of financialisation becomes imperative. This research acknowledges the historical nature

of financialisation as a set of processes and principles which emerge and take different forms over space and time (Sawyer, 2013). Rather than phases of financialisation (Fasianos *et al.*, 2016), which implies a more linear model consisting of identifiable and repeated phases, this research understands financialisation as episodic in extent and nature with particular characteristic marking each episode. Following chapters therefore analyse the geographies of the present episode of financialisation.

2.5.2 Meso and micro abstractions: firms, individuals and the geographies of financialisation

A crucial component of the literature review has been identifying and explaining the variegated means through which financialisation is enacted and expressed at the meso and micro abstractions. As this research is concerned with assessing the relationships between financialised practices and the changing role of the pub in Britain and Germany, the importance of understanding the nuances of the geographies of the financialisation of the firm becomes essential. Whilst this study will not explicitly focus on the “financialisation of everyday life” (French, 2011), it is also important to recognise how certain processes of financialisation are able to shape and inform the actions, behaviours and perspectives of individuals across different geographical contexts.

This section of the literature review has served to introduce and explain a number of key concepts and theories which provide the foundations for analysing the geographies of the financialisation of the firm throughout variegated capitalisms. Involving a range of different practices, behaviours, types of firms, institutional contexts and regulatory regimes, the processes and outcomes of financialisation at

firm-level are inevitably “hard to pin down” (Stockhammer, 2012: 59/60) and the development of an analytical framework will therefore provide a geographically sensitive means through which the processes of financialisation can be grounded and better understood. Ultimately, deploying the firm as the core unit of analysis will enable a finely grained understanding of financialisation as a set of processes that are enacted, negotiated and unfold unevenly over space and time.

2.5.3 Variegated capitalism: the role of the state and accompanying institutions

A fundamental aim of the research is to explain how variegations of capitalism and their geographical and institutional structures shape and mediate the processes of financialisation. Whilst accepting that nation-states exhibit distinctive characteristics, this research understands capitalism as inherently variegated and taking “different forms depending on the historical and institutional contexts in which it manifests itself” (Ozveren *et al.*, 2012: 31; Peck & Theodore, 2007). Theorising capitalism in such a way permits a more sophisticated analysis of the geographically uneven unfolding of financialisation throughout different market economies, particularly at the sub-national scale, without necessarily collapsing into “binary analysis” between differences across LMEs and CMEs (Macartney, 2009: 451; Albert, 1993). This research therefore addresses calls to integrate theorisations of financialisation in a wider analysis of capitalism (van der Zwan, 2014), and doing so will enable a deeper understanding of how the variegation of capitalism shapes and mediates the processes and material outcomes of financialisation.

Adding VoC to the research provides a framework for explaining socio-institutional particularities at national and local scales and this can be used to explain how place-

based factors shape and mediate the processes of financialisation. Resilient “national specificities” of capitalism in the form of distinctive regulatory rules, economic policies and socio-cultural norms (Hay, 2000: 11), are likely to impinge upon firm-level financialisation through dictating how and to what extent corporations adopt its core logics and principles. In this sense, it is likely that corporate law dictates the form and extent of shareholder value orientation, financial regulations determine the viability of financial instruments for NFCs and more pervasive, softer institutions shape how corporations behave in terms of their employees, investment decisions and overall strategies in line with the growing pressures of financialisation. VoC will therefore help situate and ground financialisation in actually existing social, political and economic contexts, enabling analysis to explain how “institutional structure conditions corporate strategy” and in turn, how financialised logics are translated into heterogeneous firm practices which are geographically uneven in form and outcome (Peck & Theodore, 2007: 755).

Whilst previous research has identified how the generalised pressures of financialisation affect particular institutions within national variegations in capitalism (French *et al.*, 2011; Lazonick, 2010), this study aims to develop this further through showing the more pervasive and constitutive role of local, regional and national forms of capitalism in defining both the forms and effects of financialisation. Integrating VoC will therefore enable analysis to not only capture the true nature of the variegation of financialisation but also permit explanations concerning the key factors shaping and driving such variegation. As well as this, integrating VoC will also provide greater focus to addressing the critical yet uneven role of the state in crafting the institutional and geographically particular conditions which may encourage, catalyse or equally

challenge and resist the enactment of financialisation. Critically, an analytical lens attentive to the inherent variegation of capitalism will foster more productive explanations concerning the “uneven, negotiated, and messy” processes of financialisation (O’Brien & Pike, 2017: 223).

2.5.4 Addressing anaemic geographies of financialisation

The aim here is not to articulate financialisation as capricious, essentially devoid of consistency in both form and functioning, but to rather assert how there are common “underlying tendencies” and recurrent processes of financialisation which result in a range of geographically constituted outcomes (Lapavistas & Powell, 2013: 375). In an attempt to address the “passive role” given to space and place in financialisation studies (French *et al.*, 2011: 800), this research aims to provide a “more geographically sensitive reading of the myriad of processes” of financialisation which explains the integral role of geography (Hall & Leyshon, 2013: 832). Rather than perpetual and omnipresent phenomena, reviewing the literature on the spatiality of financialisation has served to establish the foundations from which a more finely grained, nuanced understanding of its logics, rationales and processes can be identified and explained.

2.5.5 Analytical framework: actually existing forms of financialisation

The proposed analytical framework provides a means of addressing the specific research aims of the study and revolves around understanding the core constituents and actually existing forms of financialisation. Applying this analytical framework enables the identification of the spaces and actors involved in the variegated processes of financialisation, in turn contributing towards interpreting and making sense of data.

Rather than developing indicators to quantitatively measure the size and power of financialisation across different countries, this qualitative analytical framework has been developed to identify and explain the variegated forms, elements and nuances of the processes of financialisation.

Devoting equal attention to the forms, effects and specific processes of financialisation through empirical analysis is likely to rupture incoherent conceptualisations of the phenomena which only address its implications. Through an institutional political economy approach, identifying concrete forms of financialisation provides the basis towards understanding how its processes unfold unevenly in grounded ways across space and time. A finely grained understanding therefore serves to negate the potential for financialisation to further develop into a “chaotic concept”, as whilst space, place and a range of socio-political limitations mediate financialisation and generate geographically uneven outcomes, the grounding and articulation of the common underlying tendencies and coherent elements of financialisation demonstrate how its processes exhibit generalisable characteristics over space and time (French *et al.*, 2011: 801).

Building upon the literature review, this research is based on an institutional political economy approach which involves geographically sensitive analysis of the processes of financialisation in relation to socio-institutional forces and contexts. This approach is based on grounding and situating the manifestations of the “generalized pressures” of financialisation (Pike, 2006: 201), addressing how they unfold in particular geographical contexts via spatialized social and institutional relations. The approach does not assume a deterministic, top-down role of structures (institutional, economic, political) but rather remains receptive to the relative agency of actors. This is done to

ensure that explanations concerning the uneven enactment of financialisation accurately capture the importance of variegation in firm structures, practices and agency, as well as variegation in institutional structures and forms of capitalism (Allen, 2006). This culturally, institutionally and geographically sensitive political economy approach is therefore distinctive through remaining alive to the recursive relationship between agency and structures, not being overtly economic and remaining responsive to temporal as well as spatial variegations in the uneven unfolding of financialisation. The approach will prove critical towards explaining how the processes of financialisation are “playing out in novel, indeterminate ways” whilst retaining generalisable characteristics and principles (Bryan *et al.*, 2017: 87).

This theoretical framework will enable analytical chapters to hold together the common and recognisable tendencies of financialisation, account for geographical variegation, ground its myriad of processes, and demonstrate how these are made up of principles and logics that are constructed, enacted and inevitably unfold unevenly across space and time. Through placing the firm at the heart of analysis, following chapters will also critique the static understanding of the firm which has hindered and limited the conceptual and theoretical progression of the VoC approach. Articulating the following constituents will therefore permit a deeper engagement with the geographies of the financialisation of the firm and propel our understanding further through acknowledging how the relationship between financialisation and the firm extends beyond the mere reorientation of the “management objectives” of non-financial corporations (Williams, 2000: 6). These constituents include:

The increasing prominence of financial mechanisms: a core element of financialisation surrounds the “expansion and the proliferation of financial instruments and services” (Brown et al., 2015: 8). The deregulation and liberalisation of financial markets, in addition to extensive financial innovation, has resulted in the increasingly prominent use financial products and mechanisms as a means of actualising specific corporate aims. The proliferation and utilisation of these sophisticated financial mechanisms signifies one dimension of the financialisation of the firm.

Shareholder value orientation: conceived of as an “explicit and exclusive objective” of financialised ownership structures (Willmott, 2010: 529) and legitimised by the growing influence of financial actors, the pursuit of shareholder value is aligned with the principles of financialisation surrounding the extraction of wealth and value for shareholder gain (Van Treeck, 2009).

Short-termism: short-term planning horizons reflect the logics of international finance which are based upon an adherence to quarterly targets and reviews. The prioritisation of short-term financial returns signifies the financialisation of non-financial corporations as it satisfies the demands of shareholders, stock markets and the norms of financialised competition (van Treeck, 2009). Particularly in regard to the growing power of the shareholder, financialisation has essentially “imposed short-termism on management” through intensifying the demand of rates of return on equity and through “an alignment of management with shareholder interests through short-run performance related pay schemes” (Dodig et al., 2016: 2).

A reorientation of the values, principles and objectives of management towards an alignment with financial institutions: non-financial corporations are increasingly operating under value based metrics and controls which match the “logic and imperatives of interest-bearing capital” (Fine, 2010: 99). As opposed to satisfying traditional operational parameters, the growing influence of financial actors and intermediaries has induced the reorientation of corporate strategy towards the norms and metrics ascribed to financial institutions (Froud *et al.*, 2006). This has resulted in the corporate governance structures of non-financial firms being “increasingly responsive to and disciplined by financial rather than product markets” (Tomaskovic-Devey *et al.*, 2015: 1; Fligstein, 2001)

Focus on rates of return: through treating “share price as a proxy with which to measure success” (Wissoker, 2016: 540) financialisation has served to increase the “pressure on managers to extract a higher return on capital invested” (Andersson *et al.*, 2010: 6). This pressure serves to align corporate strategies towards the norms of international finance, where prioritising rates of return enables firms to compete as investment opportunities at the expense of their long-term sustainability. This has instilled a “new universal competition of financial results”, where firms compete in terms of their ability to make returns on investment rather than profitability and traditional market-specific dynamics (Froud *et al.*, 2000: 103).

Treating the business as a portfolio of financial assets: financialisation has encouraged the owners and managers of non-financial corporations to conceive of their physical assets, operations, revenue streams and brands as financial assets and components of a broader asset portfolio which should be restructured in order to provide shareholder

value and enhance market capitalisation (Crotty, 2005). As opposed to corporations with “product centred identities”, financialisation has therefore induced the reconceptualisation of the firm into a “bundles of assets” (Tomaskovic-Devey *et al.*, 2015: 3; Fligstein, 1990).

Intermediaries, volatility and asset-churn: in addition to promoting the conceptualisation of business activities as financial assets, financialisation has encouraged the churning of these assets as a means of enhancing value and remaining financially efficient. The growing influence of financial institutions and intermediaries has served to normalise the churn of assets, where circulation has taken precedence over production, creating a ceaseless and restless search for capital which has been accelerated throughout the present episode of financialisation.

Rationalisation (down size and distribute) for the sake of profitability: as a result of pressures emanating from the preceding constituents, firms are increasingly employing “downsize and distribute” strategies in favour of the traditional philosophy based upon “retain and invest”, as these provide the most effective means of satisfying financial targets and metrics (Lazonick & O’Sullivan, 2000). As a result, an increase in “interest payments, dividend payments and stock buybacks” has been matched by the relative decline of real investment and a move away from longer-term strategies (Riccetti *et al.*, 2013: 5).

These core constituents of financialisation are based on a range of financial logics, imperatives, norms and rationales. The remainder of this research is concerned with

how variegated institutional structures change the means and extent to which geographically grounded actors enact these imperatives, as well as how space and place modify, shape and influence these constituents and their impact on local economic geographies. Acknowledging and identifying these core constituents provides the basis for a deep, critical engagement with the actual practices, ideas and language of the finance which fuels the processes of financialisation, as well as the opportunity to analyse these processes in a grounded way at firm-level. In empirical terms, analytical chapters will utilise this understanding of financialisation to present plausible explanatory accounts as to why pubs have closed and why closures have unfolded in certain ways across geographical contexts.

A finely grained articulation of financialisation therefore depends not only on understanding “what finance *does*” in terms of “where its tentacles extend to, of the constituencies thus enrolled and ensnared, of the ‘nonfinancial’ logics thus adulterated” but also “what finance *is*”, a process which involves identifying explaining the intricacies and complexities of the financial practices which aggregate the geographies of financialisation (Christophers, 2015 A: 232 emphasis in original). Applying a spatially sensitive reading of these core constituents therefore aims to demonstrate how the nature, character and form of financialisation reflects elements of place, explaining how the “processes and nature of financialisation have been differentiated (or ‘variegated’) across different economies and markets” (Brown *et al.*, 2015: 11).

Chapter 3: A methodology for the study of financialisation across variegated capitalisms

The aim of this chapter is to demonstrate the “conceptual validity” of the study through critically addressing the chosen data collection methodologies and research design (Kitchin & Tate, 2000: 35). Acknowledging how the “process of meaning production is considered to be as important for social research as the meaning that is produced”, every research project must necessarily address a range of theoretical and methodological issues, challenges and practicalities (Holstein & Gubrium, 2004: 142). This chapter addresses the rationale and decision making process behind the adopted research methods and demonstrates how the choices made complement the theoretical framework and ensure intellectual sophistication (Kitchin & Tate, 2000: 35).

Without the formulation of concrete hypotheses this research uses inductive reasoning to establish findings or “theoretical propositions” following the generation and analysis of data (Kitchin & Tate, 2000: 19). Such an “iterative process of abstraction” facilitates a degree of flexibility between the analysis and data collection phases, as well as permits the development of a greater number of findings which may have been stifled by restrictions imposed throughout a more rigidly framed deductive approach (Yeung, 1995: 314). As the literature review has examined a number of particular abstractions of concepts and theories which analytical chapters explore empirically, the study aims to strike a balance and work between inductive and deductive reasoning, where a more fluid and interchangeable view of the general to particular and the particular to the general serves to generate worthwhile theoretical and empirical contributions. This reflexive and recursive methodological system, based upon the “development of

theory out of data”, generates a flexible research process whereby which analysis and data collection stages are “repeatedly referring back to each other” (Bryman, 2008: 541).

This chapter begins with the first two sections addressing the rationale and decision-making process regarding the critical cases of Britain and Germany. This is followed by two more sections identifying and providing justification for the specific primary and secondary research methods deployed throughout the data collection process. The chapter finishes with a discussion concerning ethical considerations, particularly the importance of confidentiality, anonymity and informed consent.

3.1 Developing case studies or “critical cases”

Following on from Fine (2011: 6), this research identifies the processes of financialisation within the “context of specific economies”, enabling finely grained analysis which accounts for variegation in its common and recurrent elements. The foundations of the data collection process were therefore based upon the identification and exploration of a number of “critical cases” (Barnes *et al.*, 2007: 7). A case study approach has been implemented as it is capable of generating insight on “complex social phenomena” through the scrutiny of a small number of cases which serve to develop understanding of broader issues (Yin, 2014: 4). Data generated from the analysis of specific cases therefore facilitates an engagement with wider theoretical debates and permits the application of a “holistic and real-world perspective” (Yin, 2014: 4). Appreciating how this research examines the uneven role of financialisation across national, regional and local scales, being able to specifically

focus upon particular cases whilst simultaneously relating findings to wider contexts substantially aided analysis. Fundamentally, a critical case approach is capable of challenging and prompting the revision of theoretical propositions rather than simply confirming extant theoretical claims (Barnes *et al.*, 2007).

Sampling is vitally important as it “helps to inform the quality inferences made by the researcher that stem from the underlying findings” (Onwuegbuzie & Collins, 2007: 281) and a purposive sampling strategy was adopted when selecting locations, firms and individuals for critical case studies. This form of non-probability sampling involves the selection of subjects or cases deemed to be “relevant to the project”, where their inclusion enables analysis to address the specific research aims and objectives of the study (Sarantakos, 2013: 177). This form of purposive sampling matches the particular methodological requirements of this research and serves to “maximise understanding of the underlying phenomena” (Onwuegbuzie & Collins, 2007: 287). Nation-states, cities and firms were therefore selected on the basis that their form, characteristics and varied roles would enable analytical chapters to address the spatially and temporally variegated nature of financialisation.

The study was initially conceived in a British context, where a combination of the processes of financialisation and institutional and regulatory adjustments were believed to have the potential to change the geographical dynamics of the pub market, and to affect city-regions differentially. The comparative dynamic was introduced following further engagement with VoC literatures, as the potential was recognised to develop key contributions surrounding the role of variegations of capitalism in shaping and mediating the processes of financialisation at sub-national, national and international scales. Other nation-states (Belgium, Italy, United States) were

considered but the distinctiveness of the German variegation of capitalism would provide the most suitable means of critically appraising the geographically uneven unfolding of financialisation across highly distinctive institutional environments. Whilst Britain and Germany are very different, in terms of both the nature of capitalism and the empirical context, these cases allow for contrastive comparisons between the similarities and differences amongst diverse cases (Tilly, 1984). Through existing as distinctive variegations of capitalism with rich pub and brewing heritages, rather than ideal-typical forms within the binary framework of analysis of VoC, Britain and Germany therefore provide the most viable means of undertaking an empirically and theoretically sophisticated comparative study concerning the uneven enactment of financialisation across contrasting institutional contexts.

3.2 Newcastle and Dortmund: analysing the sub-national heterogeneity of capitalism and uneven unfolding of financialisation

A fundamental aim of this research is to address the geographically constituted nature of financialisation across variegations in capitalism. The comparative element of this research is based upon firm-centred analysis of two national contexts, Britain and Germany, in addition to sub-national insight being gained from two case study cities, Newcastle-upon-Tyne and Dortmund. The study is much more of a national comparison as opposed to a micro-geography analysis of pub closures at the city-scale, but the city comparison emerged as a pragmatic solution to collecting data and undertaking empirically and conceptually sound research.

From a conceptual standpoint and particularly in terms of critiquing VoC, cities were included to reinforce national variation but to also demonstrate local and regional variegation in terms of institutional arrangements and firm agency. Whilst the core unit of analysis is the firm, Newcastle-upon-Tyne and Dortmund will provide the means through which comparable empirical data can be gathered, as well as enable the opportunity to address the range of conceptual and theoretical gaps emanating from the financialisation and variegated capitalism literatures. This approach will facilitate an analysis of how the pressures, norms and imperatives of financialisation are enacted and refracted differently between and across national and sub-national scales, as well as address the “micro economic as well as macro aspects” of financialisation (Stockhammer, 2012: 40). City-level cases were therefore included to not only assist in situating and grounding both the forms and effects of financialisation but to also reveal sub-national heterogeneity, critique the overtly national focus ascribed to VoC research and challenge the notion of the nation-state as a unified and universal container of economic activity.

The rationale behind the selection of each city resided upon the identification and analysis of a range of core factors. A pub market was evidently crucial but variables such as socio-economic characteristics, the role of the city from a national perspective, the brewing heritage and suitability in regard to access and safety were all carefully considered. As this study adopts a qualitative approach, the relative standardisation of these variables was important but not crucial.

A key factor behind the selection resided with similarities concerning the industrial history of both cities. Post-industrial cities typically have rich pub and brewing heritages due to the close relationship between manufacturing workers and beer-

drinking cultures and, as Dortmund and Newcastle have been described as prime examples of post-industrial cities (Ache, 2000), this provided an important dynamic which would enable a theoretically and empirically sophisticated comparison. Commentators agree that those “formerly traditional heavy industries, manufacturing industries with a large male workforce” were the most fertile environments for pubs, as workers from these industries would “drink a lot after work and often the pub would be located near to the place of work and it was quite common for people to end a shift and spill out into the pub” (Public Affairs Director, British Beer & Pub Association, Author’s Interview, 2015). Building upon this understanding, Newcastle and Dortmund were chosen as they possess similar historical socio-economic dynamics surrounding their industrial heritages, exhibit rich and dynamic pub and brewing cultures, and provide an environment in which the processes of financialisation are being enacted by a range of different actors and institutions.

Upon reflection, difficulties concerning access to German actors may have led to a slight imbalance in data reflected throughout analytical chapters. A range of challenges existed in regard to addressing the research questions throughout the German context, particularly surrounding the identification and engagement with actors in similar institutions across both contexts, as well as a lack of similar firms acting within and representing the pub retailing sector in Germany.

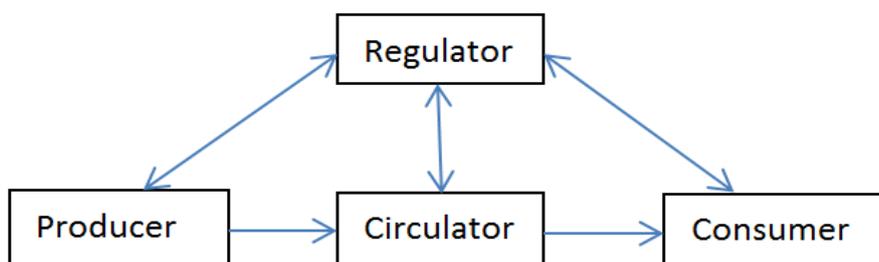
The city-level comparison has been included to provide a finer grained and grounded analysis of the geographically uneven processes of financialisation. From a methodological point of view, and as opposed to facilitating an analysis of the financialisation of the city and urban development (Rutland, 2010; Weber, 2010), these cases were adopted as empirical subjects exist and enact financialisation within

the context of cities. Framing data collection through cities also provided a robust and pragmatic solution to challenges emanating from access through allowing research to tap into local circuits of knowledge and expertise through snowballing strategies. The following chapter provides contextual analysis for both national and city-level cases, from which analytical chapters will critically assess the relationships between financialisation and the changing role of the pub.

3.3 Primary data collection

A distinct strength of this study resides with the collection of primary data from a range of sources in order to generate unique and valuable insight. This section addresses and explains the primary data collection process, as well as justifies and reflects upon its application. The first stage of the data collection process involved the identification of a range of actors and institutions deemed as possessing valuable insight for research, which were then categorised within a wider framework of producers, circulators, consumers and regulators. This framework locates each actor and institution within a broader functioning system where every component provides a specific and worthwhile contribution to the research. Whilst regulators, producers and circulators constitute the majority of data generated for this research, less attention was devoted to consumers due to the nature of the study.

Figure 3.1 Primary data collection framework



Source: Author's Own

Research participants were identified following the analysis of secondary sources which included, but were not limited to, existing academic literature, national and local trade press and the websites of pubcos, brewers, campaigning bodies and individual pubs. In terms of collection strategies and techniques, access to research participants emerged as a significant practical challenge. Snowballing was implemented and refers to a recruitment method which uses “interpersonal relations and connections between people” to gain access to hidden or hard to reach populations (Browne, 2005: 47). It must be stressed that snowballing was not the primary recruitment method but proved to be advantageous through negating the challenges associated with access and directed research towards “organic social networks” which served to enhance the study (Noy, 2008: 327). As well as snowballing, the use of “key informants”, in this case CAMRA, aided the data collection process through providing contact with previously inaccessible actors (Ballamingie & Johnson, 2011: 722).

The critical actor in explaining the relationships between financialisation and pub closures in Britain is the pubco. Analytical chapters often use the term pubco when

discussing the larger, non-brewing, financialised firms which dominate the British market. While acknowledging the pubco is not a monolithic actor and arguments demonstrate how firm agency and heterogeneity shape the enactment of financialisation, this is done as a means of simplifying accounts throughout analysis. As will be explained in more detail, pubcos are firms which own a group of pubs through either a managed format or through a leased agreement in which tenants run individual pubs and are obliged to pay rent and abide to a beer-tie. Differences exist in terms of the size, geographical focus, governance structures and financial underpinning of pubcos, but the operating model is based on similar core characteristics which firms modify accordingly and subsequently results in disparate manifestations of financialisation.

Tables 3.1 and 3.2 present the actors interviewed for the data collection process. The identities of certain actors have been omitted or anonymised for privacy and the figure next to each section identifies the number of interviews undertaken for that type of respondent. The data collection process involved 43 formal interviews, with 20 for the British and 23 for the German context.

Table 3.1 Primary data collection framework, Britain

<u>Producers/Retailers</u>	<u>Commentators</u>	<u>Regulators/Oversight</u>	<u>Other</u>
Pubcos (2): <i>Punch</i>	Journalists (3): <i>Morning Advertiser, The Chronicle</i>	British Beer and Pub Association (1)	Trade Unions (1): <i>UNITE</i>
Brewers (2): <i>Adnams</i>	Campaigners (2): <i>CAMRA</i>	Society of Independent Brewers (1)	Business Support Groups (1): <i>Federation of Small Businesses</i>
Pub tenants/landlords (3)	Bloggers/Beer writers (3)		Chartered Surveyors (1): <i>Fleurets</i>

Source: *Author's Own*

Table 3.2 Primary data collection framework, Germany

<u>Producers/Retailers</u>	<u>Commentators</u>	<u>Regulators/Oversight</u>	<u>Other</u>
Pub retailers (1): <i>Mitchells & Butlers Germany</i>	Journalists (4): <i>Brauwelt, Hopfen Helden</i>	German National Brewery Federation (1)	German Hotel and Restaurant Association (1)
Brewers (7): <i>Bitburger, Brau Holding, Warsteiner, St Erhard</i>	Bloggers/Beer writers (2)	German Regional Brewers Associations (4)	
Pub owners/landlords (3)			

Source: *Author's Own*

Negotiating access to interviewees proved challenging in a number of ways but by no means hindered the research. The sensitivity of the pubco-tenant relationship in the British context, exacerbated by the recent House of Commons Select Committee consultation process, meant that gaining access to pubcos and

legislators was extremely difficult. Throughout the German context, language barriers also made access difficult with certain actors. To counter this potential deficiency, particularly within the British context, data collection turned to analysts, commentators and industry-wide experts to assist in generating a fuller picture of the empirical context.

Acknowledging how the data collection process involved a wide range of different types of actors with contrasting interests and motives, caution was taken when analysing data in order to be sensitive to how certain responses may emanate from ulterior motives which do not accurately reflect the reality of any given issue.

3.3.1 Corroboration and triangulation

The data collection process involved the utilisation of both quantitative and qualitative methods. A mixture of methods has been employed to match the specific requirements of the research aims and objectives. There is a criticism that combining qualitative and quantitative methods “inadvertently marginalizes” the positive characteristics of qualitative approaches that emphasise “meaning, symbolism and the power of words” (Giddings, 2006: 202). However, as quantitative analysis has been included as complementary to qualitative methods, with no theoretical or philosophical conflict germinating from their inclusion, the advantages offered by mixed methods outweigh any of the potential drawbacks. The statistical analysis of contextual data serves to “enhance the explanatory power” of qualitative data and in turn demonstrates how the implementation of mixed methods can “enrich the quality [...] validity [...] generalizability and popularity” of findings, as well as broader empirical and theoretical contributions (Sarantakos, 2013: 54/55).

In saying this, quantitative analysis is “by no means a mechanical application of neutral tools that results in no new insights” but rather serves to generate unique arguments in its own right, as well as support or disprove arguments generated from other types of data (Bryman, 2006: 111). Combining quantitative and qualitative methods therefore allows for the triangulation of findings and ensures a degree of “completeness” throughout analytical chapters and a more “comprehensive account of the area of enquiry” (Bryman, 2008: 609).

The vast majority of data was generated through qualitative methodologies. A predominantly qualitative approach to research has been adopted as it offers a “naturalistic” dimension, which enables research to occur in natural settings and contexts; can generate rich, detailed and “thick” sets of data on complex issues, and engenders a flexible, communicative and subjective approach which meets the specific requirements of the empirical dimension of this research (Sarantakos, 2013: 45). A qualitative approach to research appreciates how there is “social reality in subjects’ perceptions of their environment”, and this assumption enables the generation of rich and valuable data (Bryman, 1988: 70).

Statistical data obtained from campaigning bodies, national and local governments, industry institutions and pub operators has been analysed to complement the primary and secondary data obtained elsewhere. This form of quantitative analysis relates to what Visser and Jones (2010) explain as “descriptive statistics”. This approach is loosely formed around the basic analysis of statistics in order to generate visual representations of data to compare with primary findings and construct worthwhile arguments in their own right.

Triangulating data through mixed methods has been hailed as vital in answering “many of the most important questions in organisations research where we are concerned with very complex processes” (Cassell & Symon, 1994: 4). Combining both types of method enhances research as quantitative methods construct crucial contextual data, whilst qualitative methods ensure a firm element of “richness” throughout analysis (Lindsay, 2001: 47). Mixed methods therefore present the most suitable means of generating rich and textured data on the spatially and temporally variegated nature of financialisation across two distinctive variegations in capitalism.

3.3.2 Semi-structured Interviews

Complemented by the analysis of primary and secondary documents, the majority of empirical data emanates from semi-structured interviews undertaken with relevant actors across both institutional contexts. Throughout the vast majority of social science disciplines the interview has been regarded as the “primary means of generating data” (Talmy, 2010: 128) and whilst all forms of interviewing exhibit strengths and weaknesses as a particular research method, this section addresses the theoretical, practical and ethical issues attached to the use of semi-structures interviews for this research.

Interviews present “opportunities for in-depth, flexible engagement with research participants” (Secor, 2010: 199), and facilitate an exploration into respondents “more personal, private and special understandings” (Arksey & Knight, 1999: 4). By revealing research participants “practices, experiences (and) knowledges” through interviewing, data is often highly textured, valuable and worthy of academic inquiry (Secor, 2010: 199). Semi-structured or qualitative interviews involve the interviewing of respondents

with a loose structure and questioning schedule, where a degree of freedom and flexibility typically generates a “rich and varied data set” (Kitchin & Tate, 2000: 213). Permitting an exploration into the respondents “complex stories, images, descriptions and such-like that cannot be easily put into categories or simplified” (Arksey & Knight, 1999: 6), this particular form of interviewing has been hailed as the best means of generating “detailed answers” which enable the construction of findings on complex themes (Bryman, 2008: 437).

The flexibility of semi-structured interviews is a valuable methodological quality. Without a formal schedule to adhere to, interviews were capable of penetrating “surface level” responses with probes and follow-up questions and therefore able to capture a “deeper and fuller understanding” of given subjects (Legard *et al.*, 2003: 140). The relatively diminished role of structure in this form of interviewing, where “probing seeks to add depth” (King & Horrocks, 2010: 53), also allowed the researcher to collect data in a manner that was “flexible and sensitive to the specific dynamics of each interaction” (Mason, 1996: 40). This allowed for the identification and discussion of previously unrecognised topics and issues which analytical chapters have profited from (Bryman, 2012: 470).

3.3.2.1 Weaknesses and limitations

Geographers are becoming increasingly aware of methodological challenges ascribed to the interview process and associated implications for the generation of knowledge. The ubiquity of interviewing throughout the social sciences has established an environment in which researchers conducting them exhibit a “spurious sense of stability, authenticity and security” (Atkinson & Silverman, 1997: 310). Whilst the

flexibility of the qualitative interview is a methodological strength, it does however present certain challenges. A lack of standardisation may severely inhibit any possibility of comparison or quantitative assessment of interview data (Corbetta, 2003: 283). As well as this, there is a possibility for each interview to gravitate towards completely unique points of discussion which would make analysis challenging through the generation of incomparable data (Arksey & Knight, 1999: 9). Ultimately, whilst providing the means of generating valuable data for analysis, the semi-structured interview is more than “just talking to people” (Kitchin & Tate, 2000: 215).

3.3.2.2 Justification

Regardless of the limitations, the semi-structured interview was the most suitable option to generate primary data for this research project. Whilst more standardised survey interviews would be useful in the sense that they generate comparable findings on areas of specific interest to the research, the more structured nature of the survey interview “restricts the respondent’s range of interpretive actions” and may therefore hinder the data collection process (Holstein & Gubrium, 2004: 157). As well as this, forced choice and closed questions akin to survey interviews may “force respondents to express ideas they may not have, in words they would not normally use” (Gomm, 2004: 160). As a core component of this research attempts to capture the contrasting thoughts and experiences of different actors across a wide range of topics, the potential for misinterpretation through utilising forced choice questions could therefore distort researching findings. The “greater freedom to explore specific avenues of enquiry” and the ability to identify and analyse any “logical gaps” (Kitchin & Tate, 2000: 214), affirms the semi-structured interview as the most suitable means of

generating data on the variegated nature of financialisation and its relationships with pub closures across Britain and Germany.

3.3.2.3 Positionality, the role of the interviewer and power relations

Ontological and epistemological issues concerning the nature of reality and the production of knowledge “lie at the heart of geographic research” and must therefore be addressed (Shaw *et al.*, 2010: 10). The decision to undertake semi-structured interviews as part of data collection raises numerous ontological and epistemological concerns. The qualitative interview must be perceived as an “inherently social encounter” (Rapley, 2001: 303), where the interview site is not a static phenomenon but rather an interactive environment where meaning and knowledge are “created and performed” (Denzin, 2001: 25).

Acknowledging how any form of reportable knowledge derived from an interview respondent is “always produced in negotiation with the interviewer”, the role of the researcher must be examined (Rapley, 2001: 317). Methodological practicalities may therefore emerge from the role of “participant identity”, in respect to both interviewee and interviewer, shaping and influencing the development of particular findings (Richards, 2009: 159). Taking insight from a feminist geography perspective which objects to the theorisation of knowledge “as the truth” and “necessarily universal”, all knowledge derived from research must be viewed as “embedded, situated, specific, and hence partial, with an inevitable bias” (Mohammad, 2001: 103). Upon this recognition, the researcher must therefore acknowledge themselves as a “real, historical individual” who possesses socially and contextually built up

perceptions, interests and desires which influence the data collection process (Harding, 1987: 9).

Research must also necessarily address issues which emerge from the “multidimensional geography of power relations” (Rose, 1997: 308). Power is exercised throughout interviews via conscious and subconscious inequities between researcher and respondent in regard to personal qualities and characteristics. Rather than exclusively interviewing actors which exhibit power through enacting and profiting from the processes of financialisation, this research also aims to account for the perspectives of actors which are impacted and subjugated by the normalisation of financialised practices.

Primary data collection therefore involved the interviewing of both vulnerable respondents and business elites. What constitutes an elite individual has been contested throughout social science disciplines, however for the purpose of this research, elites are defined as those individuals who “occupy positions at the top of employment and income pyramid(s)” and who hold high positions in social networks and hierarchies (Harvey, 2010: 4). Appreciating how such individuals perform relatively high social roles, the interview process was immersed in “asymmetrical power relations” (Dowling, 2010: 32). Whilst power typically becomes important through the specific interaction between researcher and researched, elitist groups often exercise the “rights and power they possess by monitoring and controlling accessibility”, meaning that the politics of power may permeate the study prior to any interaction through elite individuals restricting access (Noy, 2008: 338). In saying this, even vulnerable participants hold and exercise power throughout the interview process by

deciding to be involved in the research and controlling the type and extent of information they express (Belur, 2014: 197).

This research therefore adopts a “nuanced understanding of power” through appreciating how power “shifts and circulates” between researcher and respondent and how this may impact the data collection process (Ballamingie & Johnson, 2011: 726). In order to negate any opportunity for bias or imbalance, every participant was treated equally “as an expert whose knowledge is valued” (Secor, 2010: 203).

3.3.2.4 Practicalities

It would be inaccurate to conceptualise the semi-structured interview as merely “having a chat” (Dunn, 2010: 101). Generating worthwhile data and reportable knowledge from interviewing is “by no means an unproblematic task” and practicalities must therefore be addressed (Cloke *et al.*, 2004: 149).

A key practicality resided with the language barrier imposed by undertaking interviews within the German context. As interviews took place in English, which is the second language for the majority of respondents, attention was devoted to ensuring that certain ideas and meanings were not lost in translation. In addition, the language barrier also made contacting and gaining access to certain actors more challenging.

In regard to the British context, upon consideration of the fierce ongoing debate surrounding the role of the pubco and application of the beer-tie, caution was exercised in terms of interviewees potentially utilising the interview process to articulate particular views through academic research (Bryman, 2008). Whilst interviews generated the majority of primary data, a critical stance was adopted with

all raw data in order to produce an accurate, impartial and unbiased analytical narrative. Analytical chapters do not simply describe the views of actors and tell multiple stories, nor do they attempt to empower certain views as more important than others. Academic distance was therefore maintained throughout research from a range of vested interests which could have distorted findings.

Interviews undertaken as part of the data collection process were also voice recorded. Voice recording substantially aided both the transcription and interview process (Kitchin & Tate, 2000). Voice recording does however raise certain ethical and practical issues. All respondents were made fully aware of the prospect of recording and asked to give their consent prior to their contribution to the research.

3.4 Secondary data collection: analysis of documents and accounts

Due to the particular empirical context of the research a substantial amount of secondary data was widely available for analysis. Whilst primary methods generated data capable of addressing the specific research aims, the analysis of secondary sources proved complementary through locating the primary data in a “wider context” which offered greater breadth and texture to findings (Silverman, 2013: 210).

Table 3.3 details the range of sources utilised to gain secondary data for analysis. The collection and analysis of secondary data was not exclusive to any one dimension of the research but rather undertaken to engage with a range of important issues, from the quarterly financial data of pubcos to general citywide licensing data on pubs.

Table 3.3 Secondary data collection framework

<u>Producers/Retailers</u>	<u>Commentators</u>	<u>Regulators/Oversight</u>	<u>Other</u>
Pubco websites, annual reports, press releases	Press (national/local)	British Beer and Pub Association website, annual reports, statistics documents	Trade Union websites, press releases
Brewery websites, annual reports, press releases	Trade press (national/local)	German Brewers Federation website, annual reports, statistics documents	Business Support Groups websites, press releases, publications
Pub websites	Campaigner websites, publications, press releases	Regional Brewers Associations	Chartered Surveyors websites
	Blogs	German Hotel and Restaurant Association	

Source: Author's Own

The combination of both primary and secondary source data enables research to gain a firmer understanding of the “geographical, historical, and socio-economic” dimensions of the empirical context, something which the analysis of isolated primary data may not be able to accomplish (Clark, 2013: 59). Analysing the Annual Reports and Financial Statements of pubcos demonstrates a great example of the advantages of secondary data, as the precompiled, accurate and easily accessible information serves as a time and cost efficient means of enhancing the research. Of specific importance to this study, throughout analytical chapters data from a range of sources may be in reference to England. As this study is concerned with comparing the changing role of the pub across Britain and Germany, English data has only been included when a British equivalent was unavailable.

Being conscious of the notion that “all documents are subjective and represent a particular viewpoint”, all forms of secondary data were not viewed as inherently valid and reliable but rather as manufactured documents produced for specific aims and audiences (Kitchin & Tate, 2000: 227). In this sense, critically engaging with not only the content but the source and underlying characteristics of the data ensures that findings reflect how documents are crafted for particular purposes, and in turn negates the opportunity for distorted findings. Acknowledging the work of Scott (1990), all data sources were rigorously checked prior to their analysis in terms of credibility, authenticity, representative nature and meaning. This ensures that all secondary sources included for analysis are legitimate in terms of academic research and permit the generation of reliable and authentic findings (Martin & Pavlovskaya, 2010: 177).

3.5 Ethical considerations: confidentiality, anonymity and informed consent

As a “vital intellectual and practical force” which actively engages with contemporary challenges and socially significant issues, geographical research must account for ethical issues concerning its implementation (Proctor, 1998: 14). Consideration must therefore be devoted to the ethics of geographical research and, as the data collection process involved “contact with human subjects in the field”, a range of ethical issues exist and must be adequately addressed (Silverman, 2013: 159).

From a social scientific perspective, ethics involves the reflexive process through which “moral questions” associated with conducting and publishing academic research are addressed (Proctor, 1998: 9). Researchers are necessarily “required by their peers to

commit themselves to producing truthful research” and this researcher is fully appreciative of how falsifying data for analysis serves to ultimately damage the study, as well as the wider discipline (Gomm, 2004: 321). This research project has acted firmly within both the ESRC and Newcastle University ethical frameworks, understanding that any disregard for or failure to uphold such ethical principles could significantly undermine the theoretical and empirical contributions of the research (Bryman, 2012: 133).

The data collection process involved the interviewing of tenants and licensees who could potentially be viewed as being vulnerable. As the research necessarily requires a deeper understanding of the relationships between tenants and pubcos in order to gain insight on the transmission of financialised imperatives, discussions regarding private and potentially sensitive relationships between the two parties must remain confidential; with respondents identity’s remaining anonymous. In order to protect potentially vulnerable participants, the option to remain anonymous through the application of pseudonyms was offered universally.

Another important element of the data collection process is informed consent. Good ethical practice in this area hinges on informing respondents on the manner, aim and content of the research prior to any contribution (Gomm, 2004: 307). All respondents were therefore provided with detailed and accurate information in regard to the “nature of the research, the researcher-respondent relationship, and the possible consequences of the research procedure for the respondent” (Sarantakos, 2013: 19).

3.6 Conclusion: undertaking a study on the role of financialisation across variegated institutional contexts

The core aim of this chapter has been to outline, explain and justify the methodology used for this research. Whilst a range of alternative methods have been identified and analysed, this chapter has substantiated the methodological choices and provided thorough justification through addressing and responding to the limitations and critiques of the chosen methods.

A number of challenges and practicalities existed throughout the data collection process. Whilst these factors inevitably shaped the generation of data, the principal aim of this chapter has been to provide a functional and instrumental explanation of how these practicalities were handled, and crucially, explain the broader research rationale, approach and specific methodological choices which permit an empirically and theoretically sophisticated study.

Chapter 4: Contextualising the relationships between financialisation and pub closures in Britain and Germany

“Inevitably, my overall conclusion is that pubs are closing because of market forces and the public’s reducing desire for them. Trying to stop this happening by anything other than innovation and positivity is somewhat like King Canute trying to stop the tide coming in”

(Brewery Owner & Industry Blogger, Author’s Interview, 2015)

The aim of this chapter is to provide an overview of the empirical context and demonstrate the spatially uneven nature of pub closures across both variegations in capitalism. It serves to contextualise the aspects of place that impinge upon and intertwine with the processes of financialisation and generate geographies of pub closures. Capturing the development of each market and acknowledging the range of factors inducing change will enable a more balanced and worthwhile discussion concerning the variegated role of financialisation, as well as the causal and constitutive role of geography in its enactment.

Divided into four sections, the chapter begins by analysing the evolution of pub and brewing markets across both countries, paying particular attention to growing trends, norms and transformations witnessed throughout the global brewing economy. The next two sections focus specifically on the experience of national pub and brewing markets before explaining the perfect storm factors which intertwine with

financialisation at different scales to generate pub closures. The chapter ends by discussing the urbanisation of pubs, a transformation witnessed throughout both countries, and the varied role financialisation plays in contributing to this development.

4.1 The evolution of pubs and brewing

The British and German pub and brewing markets have experienced similar trends in recent decades but have witnessed different outcomes based on contrasting economic and institutional arrangements. As Britain experienced a 14% and Germany a 33% decline in pubs between 2001 and 2014 (British Beer & Pub Association; DEHOGA), this chapter introduces a number of explanatory factors driving these transformations and in turn provides the foundation for analytical chapters to disentangle the multifarious role of financialisation. This section begins by addressing global brewing trends and patterns in the consumption of beer, before moving on to assess how these trends and associated pressures are refracted differently at national and local levels and intertwine with the geographies of financialisation to generate pub closures.

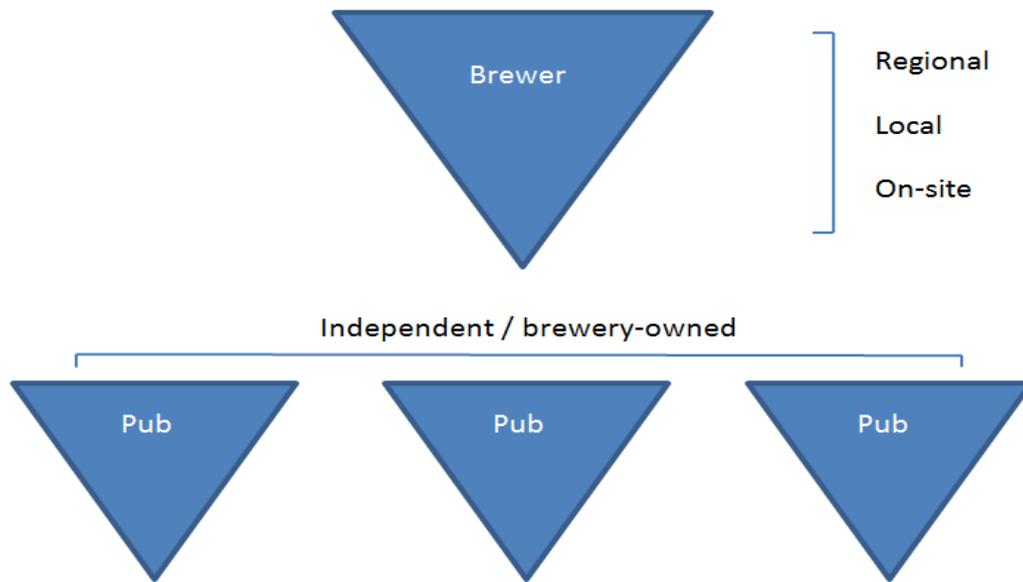
4.1.1 Trends in global brewing and the consumption of beer

Brewing in Britain and Germany has been significantly impacted by three “megatrends” witnessed throughout the global brewing economy in the form of “growth, concentration and globalisation” (Theuvsen *et al.*, 2010: 62). Throughout the mature markets of Western Europe, brewing industries have become increasingly saturated in recent years, fuelled in part by consolidation strategies initiated by

dominant international firms (Larimo *et al.*, 2006: 372). These megatrends have resulted in the transformation of brewing. No longer “fragmented in predominantly national markets”, globalisation has “opened up” brewing a created a truly “global structure” (Madsen *et al.*, 2011: 18). The interdependencies, number of actors and general structures of beer supply chains have therefore changed significantly over time, as reflected by figures 4.1 and 4.2.

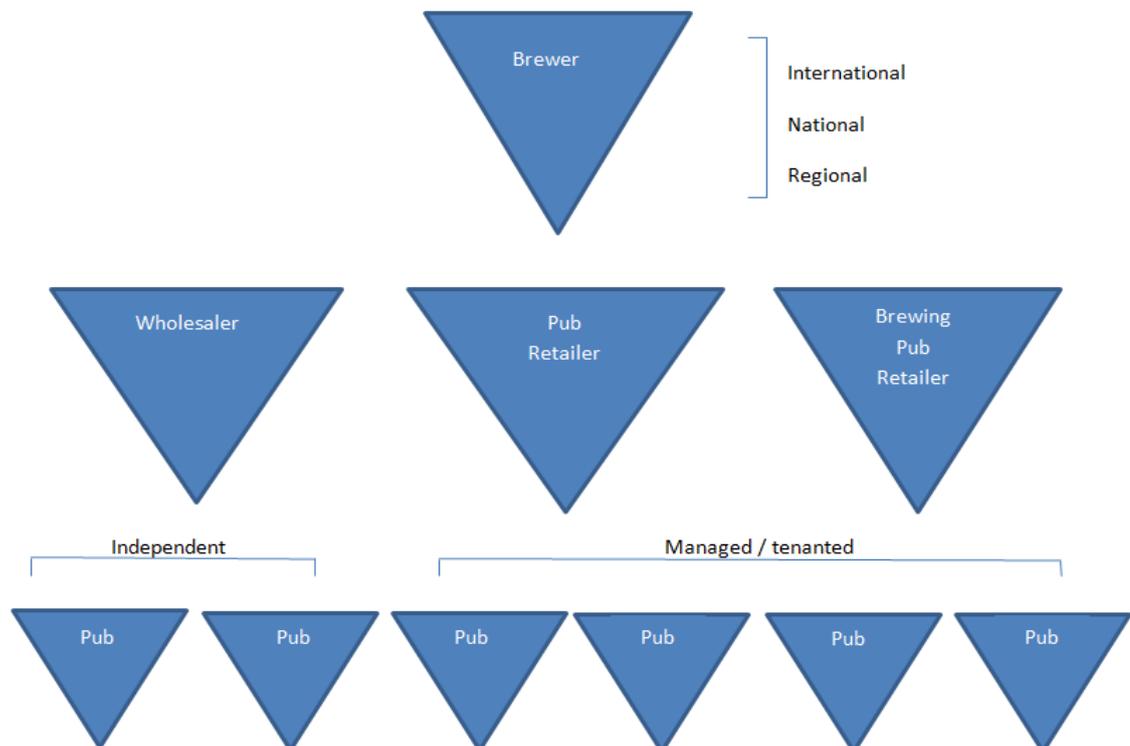
Whilst this provides an overview of general change, there are however variations and distinctions in the structure of the brewing industry across nations, as the remainder of this chapter will explain through the context of Britain and Germany. Traditionally, a brewer would sell beer to a local pub or supply beer to premises they own and operate within an enclosed local market (Bower, 2015; Carroll *et al.*, 1993). The emergence of national and international brewing groups, public house retailing corporations (pubcos) and the proliferation of a variety of different types of pubs (managed, independent, tenanted) has ruptured this model and extended the scope of brewing operations with a growing number of routes to the market.

Figure 4.1 Traditional beer supply chain



Source: Author's Own

Figure 4.2 Globalisation and the brewing industry



Source: Author's Own

The primary driver of this transformation has been the “increasingly global” nature of brewing (Howard, 2013: 13), with the structure of the traditional beer supply chain being stretched and elongated. This has occurred geographically, with global brewing groups making use of international comparative advantage in supply chains (Jernigan, 2009: 9) and also reflected by an increase in the total number of actors involved. The supply of beer to individual pubs no longer takes the form of an isolated localised network and is rather now part of much broader economic geographies dominated by an increasingly smaller number of international firms (Bower, 2015; Cabras & Higgins, 2016).

The four largest brewers (ABInBev, SAB Miller, Heineken, Carlsberg) currently command over 45% of global market share (Statista, 2016) and this reflects the dominance of larger international firms and their success in concentrating and consolidating national beer markets. As Cabras and Higgins (2016: 614) explain:

“From the post-war period until the early 1980s, the number of independent brewing companies across the world decreased steadily, while concentration in national markets resulted in the rise of major corporate players almost everywhere in the world”.

The global brewing industry has recently experienced an acceleration in “acquisitions, mergers, strategic alliances and joint venture formations” (Larimo *et al*, 2006: 372), processes and corporate strategies that align with and are increasingly driven by the logics of financialisation. As “concentration in the global beer market more than doubled” during the last decade (Cabras & Higgins, 2016: 614), the permeation of financialised logics into the business models of dominant international brewing groups

has become increasingly evident. An example is provided through Heineken and their response to the primacy of financialised competition through “downsize and distribute” strategies (Lazonick & O’Sullivan, 2000) which act as a core constituent of financialisation at firm-level:

“Heineken are doing reasonably well at the moment and they have basically said to themselves if they don’t do it now, when they are relatively okay, if they don’t seize the opportunity of downscaling their staff and becoming more flexible, then if they’re not doing well in the next business cycle, it’s so much more difficult to do that [...] they want to become leaner and meaner and therefore hopefully become more resistant to the hostile takeover” (Director, European Brewing Organisation, Author’s Interview, 2015).

The evolution of the British market reflects these broader transformations, where a “once multinational industry” has become a “global industry” controlled by a small number of large companies (Gammelgaard & Dorrenbacher, 2013). Following decades of concentration the British market was dominated by the “Big Six” brewers leading up to the Beer Orders in 1989, a statutory instrument which forced disinvestment with the aim of creating a more open and fair market (Cabras & Higgins, 2016: 614). Whilst Britain has witnessed a recent upsurge in the number of small, independently owned breweries, made evident by close to 1,700 brewers producing over 11,000 different beer brands (BBC News 31st March, 2016), international brewing groups control the majority of the market and it remains relatively concentrated.

The development of German brewing has been described as entirely unique, with market concentration occurring to a much lesser extent than the majority of other mature beer markets (Niederhut-Bollmann & Theuvsen, 2008: 67). Characterised as

unconsolidated, highly fragmented and low growth (Ebneith, 2006: 123), the German beer market has resisted trends and transformations which have shaped the evolution of the global brewing economy in the last few decades. Whilst a number of large international brewers have “entered the German market and have been pursuing aggressive marketing and pricing strategies”, primarily through domestic takeovers and partial shareholder agreements, the German market remains highly fragmented and has retained a strong core of smaller, independently owned organisations (Theuvsen *et al.*, 2010: 65). This has ensured that the market remains unconsolidated:

“They thought that they could consolidate the German market by buying up enough market share to kind of have more of a say in bargaining with the supermarkets [...] that strategy came to nothing, they don’t have such a market share, it’s certainly under 10%, which means it’s nothing” (Editor, *International Brewery Magazine*, Author’s Interview, 2015).

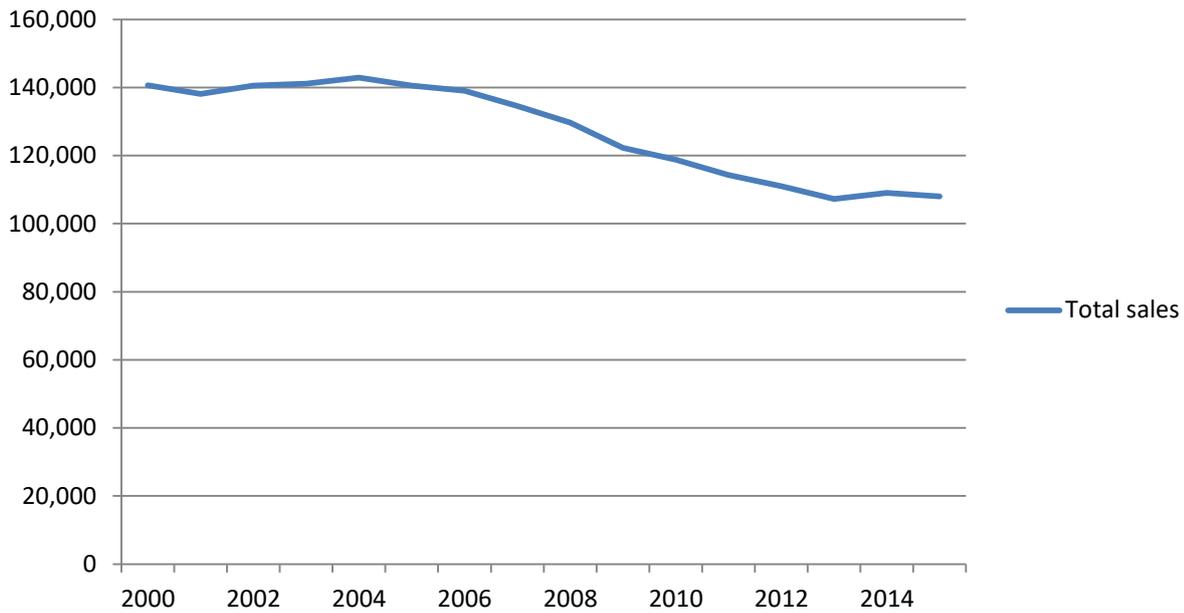
Germany has resisted global trends and retained a market structure which reflects the era prior to the dominance of international brewing groups, at a time when “most brewers were locally based and privately owned” (Cabras & Higgins, 2016: 610). As the pressure exerted by international firms intensifies, in addition to broader structural and political-economic transformations induced by financialisation and neoliberalism, small to medium-sized brewers are said to be “feeling the multinational squeeze” associated with consolidation strategies and this exposes both pubs and brewers to the threat of international change, as well as new forms of competition and market discipline (DW, 2013). As following chapters demonstrate, the interdependency between pub and brewing markets in Germany means that understanding the actors,

norms and trends of global brewing is necessarily required to engage with the relationships between financialisation and the changing role of the pub.

4.1.2 Culture change and consumption: the segmentation and fragmentation of the drinks and leisure markets

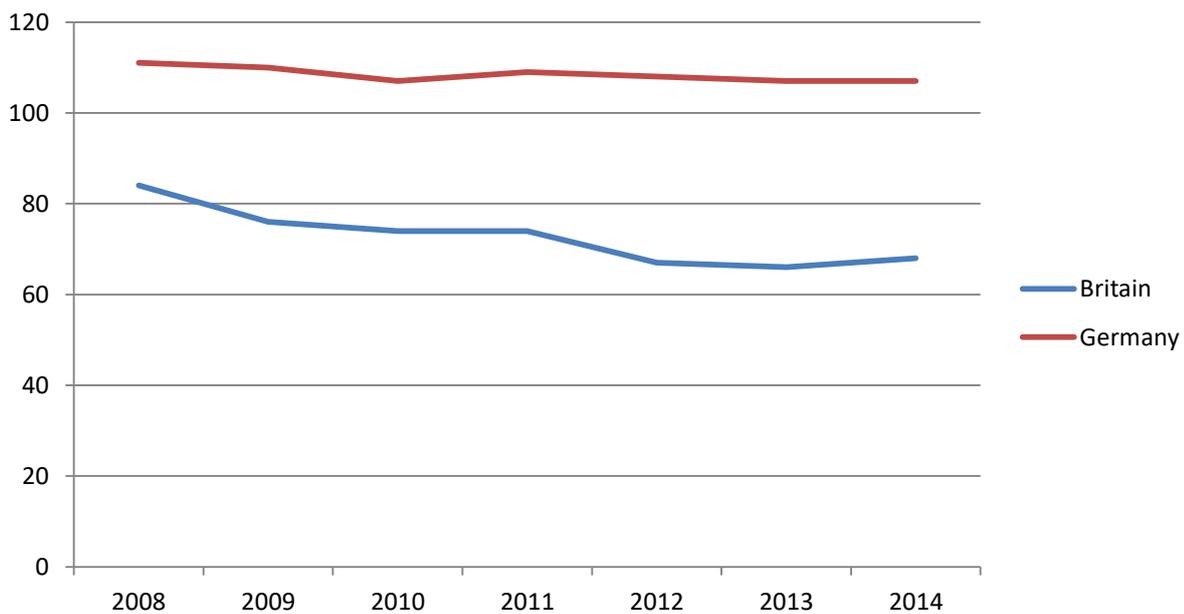
Significant cultural changes throughout both countries have impacted the financial performance and social perception of pubs and brewers. The majority of mature beer markets have witnessed declining consumption rates in recent years, with commentators arguing that this development is attributed to a change in international drinking patterns (Roberts & Townshend, 2013: 455). As beer constitutes 7 of every 10 drinks purchased in British pubs (BBPA, 2016), declining beer consumption and the associated cultural developments surrounding this transformation have negatively impacted the on-trade. Figures 4.3 and 4.4 demonstrate the gradual decline of beer consumption across Britain and Germany in recent years.

Figure 4.3 Annual beer sales in Britain, 2000 – 2015 ('000 barrels)



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

Figure 4.4 Annual per capital beer consumption in Britain and Germany, 2004 – 2014 (litres)



Source: Statista (2015)

Whilst a research gap exists concerning the specific impact of “changing patterns of alcohol consumption and its contribution to falling pub sales” (Andrews & Turner, 2012: 551), it is widely agreed that this transformation negatively impacts pubs across both countries.

“We have seen that the average per capita consume of beer has been going down since 1976, when we have had the average per capita consume of 150.9l [...] we went down about ½ % each year, coming to the figure of 106.9l last year, so the decline was 40 something litres in the 40 years” (PR Officer, German Brewers Association, Author’s Interview, 2015).

These statistics support a widely held argument that pub closures are a result of declining beer sales and more broadly a lack of active consumer demand. In this sense, the “social demand” for a pub established through localities wanting to have one is “not always matched by the level of effective economic demand that can sustain them as a business” (Cabras & Bosworth, 2014: 2). This argument suggests a disparity between the defence of pubs as assets of community value and the willingness of people to spend their time and money on their products and services. Pubs are therefore closing on the basis that “supply of outlets may well exceed the demand of consumers” (Pratten, 2004: 251). In Britain, commentators also argue that the “reorganisation of the industry” following the Beer Orders occurred during a “period of poor trade”, with stagnating disposable income levels further compounding the lack of demand for pubs (Pratten, 2007: 615). Declining beer consumption and the concomitant lack of demand are therefore crucial dynamics contributing towards closures and the changing role of the pub throughout both contexts.

Further similarities exist between British and German consumers, particularly in regard to broader cultural transformations. An important transformation surrounds healthier living, with individuals' increasingly purchasing and consuming products which "better reflect their changing lifestyles and attitudes" (Niederhut-Bollmann & Theuvsen, 2008: 70). The case for economic transformations driving cultural change has also been widely expressed, with commentators arguing that increased student fees have forced young people away from pubs, rising living costs have created more price conscious consumers, and stagnant incomes have gradually diminished the attraction of the pub (FT, 20th November 2013). Cultural transformations as a "consequence of economic change" have therefore negatively impacted pubs, as "better domestic living conditions, a shrinking of the working class and the decline of heavy industry" have played significant roles in generating closures (Snowdon, 2014: 12). The case in Germany is similar, particularly throughout those cities which have experienced de-industrialisation:

"Formerly, everybody after work went out for one or two pints, had a couple of beers, some cigarettes, had some small talk with the neighbours [...] this kind of culture is really destroyed, all these after work parties are finished" (Managing Director, National German Brewery, Author's Interview, 2015).

Challenges for pubs in Germany have been exacerbated by similar cultural transformations. A shift towards more niche and premium brands has been witnessed throughout the German beer market, as well as similar developments surrounding healthier living trends which have impacted corporate strategies (Spokesperson, German Hotel and Restaurant Association, Author's Interview, 2015).

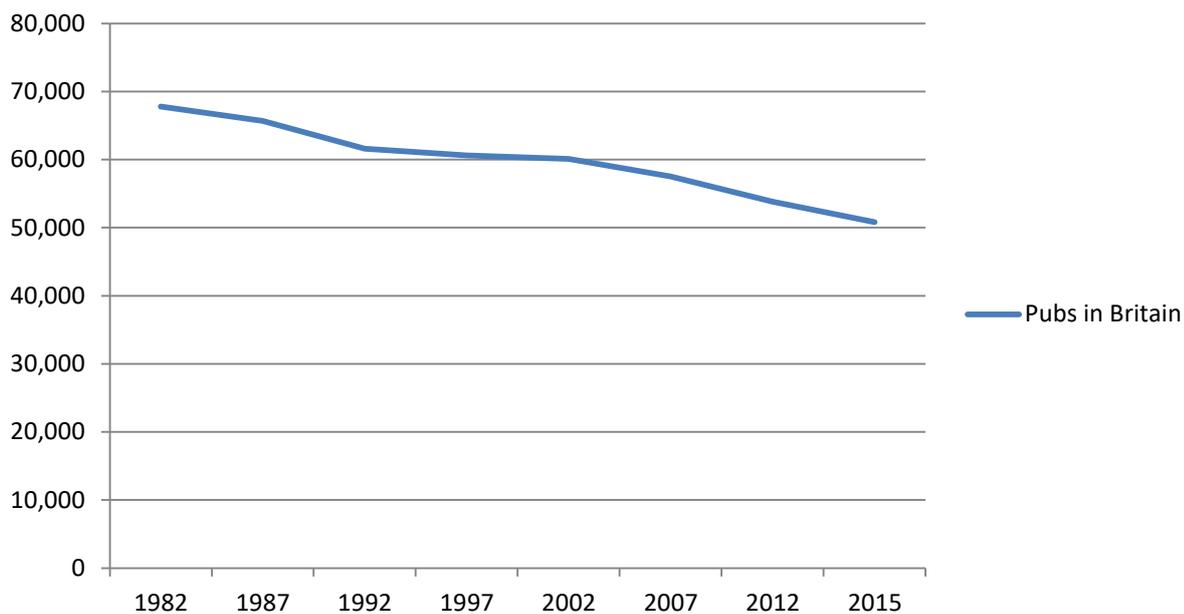
Linked to this development, Britain and Germany have both witnessed the growing popularity of craft beer. Craft beer can be understood as niche, flavorsome beer produced on a small-scale by independent, artisan brewers. Craft brewing is analysed in later chapters and serves to demonstrate how the global brewing economy is constantly changing and the role financialisation plays in driving and mutating these transformations.

Pubs across both countries have therefore been challenged by “very competitive alternative attractions within the leisure industry that impacted on consumer choice” (Pratten & Lovatt, 2002: 65), with the segmentation and fragmentation of drinks markets serving to impact pub geographies in different ways. Understanding the ways in which these global transformations have been refracted at the national, regional and local levels will enable a more precise identification of the role of financialisation in generating closures and changing the role of the pub.

4.2 The evolution of the British pub market: The Beer Orders and the emergence of the pubco

Described as being in “unambiguous decline”, the number of pubs in Britain has fallen dramatically in recent decades (Snowdon, 2014: 11). This is expressed by figure 4.5 and the remainder of this section identifies crucial factors driving this transformation, with analytical chapters assessing whether the growing influence of financialisation is partly responsible for the acceleration of closures since the financial crisis.

Figure 4.5 Pub closures in Britain, 1982 - 2015



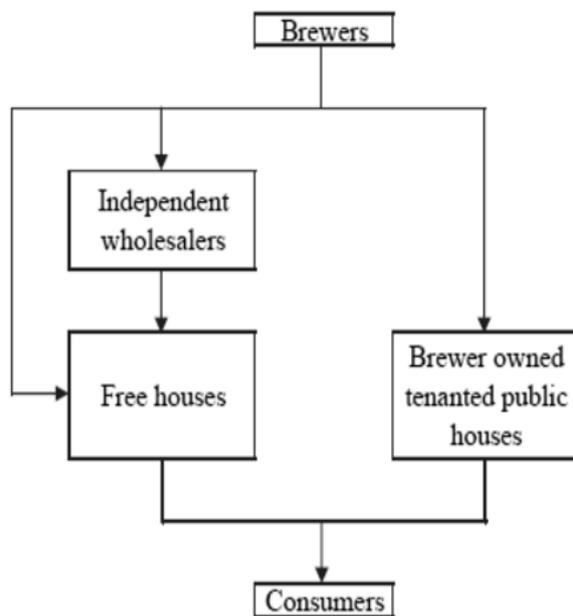
Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

For the majority of the twentieth century, British pub and brewing markets worked within a vertically integrated structure, where brewers produced beer and utilised the pubs they owned as a means of reaching the consumer. This form of tied ownership “linked the pubs to the brewers both financially and operationally”, where brewers owned and controlled the majority of pubs in the country and operated pub businesses through either a brewery manager or tied tenant (Pratten, 2003: 253). During their most dominant period in the latter stages of the twentieth century, breweries owned approximately 80% of all pubs (Preece *et al.*, 1999). Such a structure was however labelled as a “complex monopoly”, and the 1989 Beer Orders Act was introduced by government with the aim of making the market more competitive:

“The Beer Order Act restricted the right of breweries to the ownership of 2000 pubs. Numbers in excess of this were then sold off, with the perverse outcome of a transfer of many pubs to large corporations, often referred to as pubcos. By 2004, 57% of UK pubs were owned by companies, many of whom were listed on the stock exchange and therefore answerable to shareholders” (Roberts & Townshend, 2013: 456).

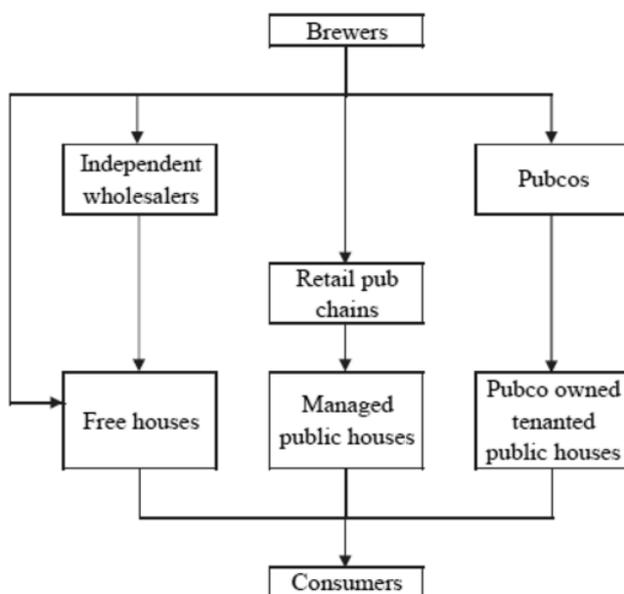
It is important to recognise the extent to which the Beer Orders modified the beer supply chain and how the present structure involves more actors and routes to the market. Rather than greater routes to the market increasing competitiveness and resulting in fairer deals for consumers, the dominance of pubcos and their ability to secure brewery discounts and withhold those savings from tenants has resulted in an uneven landscape between restricted pubco tenants and free-of-tie operators able to provide cheaper retail offers. Even with additional routes to market, commentators argue that the emergence of the pubco model continues to be “very restrictive to trade” and is likely to ensure a distorted market in which free-of-tie operators are in “rosy health” as tied tenants experience difficulties (Director, Business Support Group, Author’s Interview, 2015). Figures 4.6 and 4.7 provide context for the beer supply chain.

Figure 4.6 Beer supply chain prior to the Beer Orders



Source: Parliament (2004)

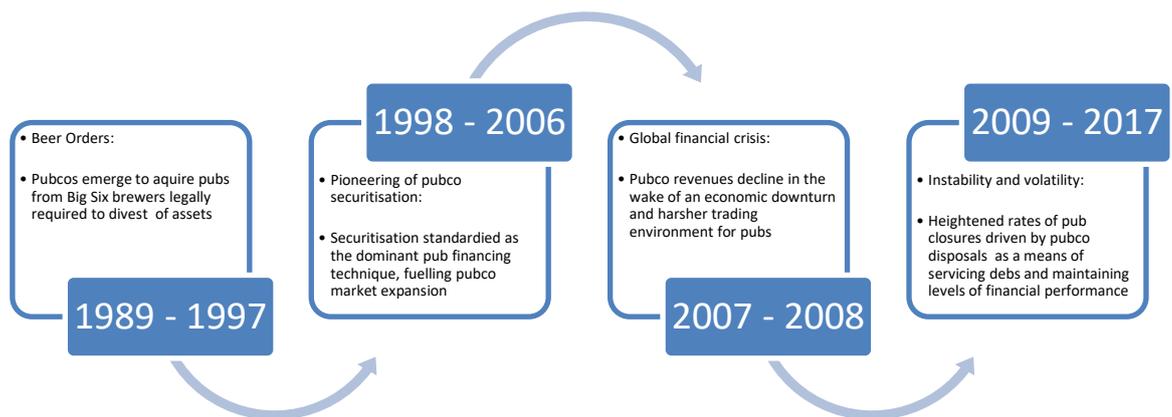
Figure 4.7 Beer supply chain after the Beer Orders



Source: Parliament (2004)

Figure 4.8 identifies four key phases in the development of pubs in Britain. The legislation in 1989 generated a “decade of serious reorganisation” and paved the way for emergent pubcos to acquire thousands of pubs, with their financialised operating models exposing individual premises to the pressures and vicissitudes of international finance (Pratten, 2003: 253).

Figure 4.8 Developments in the British pub market since the Beer Orders



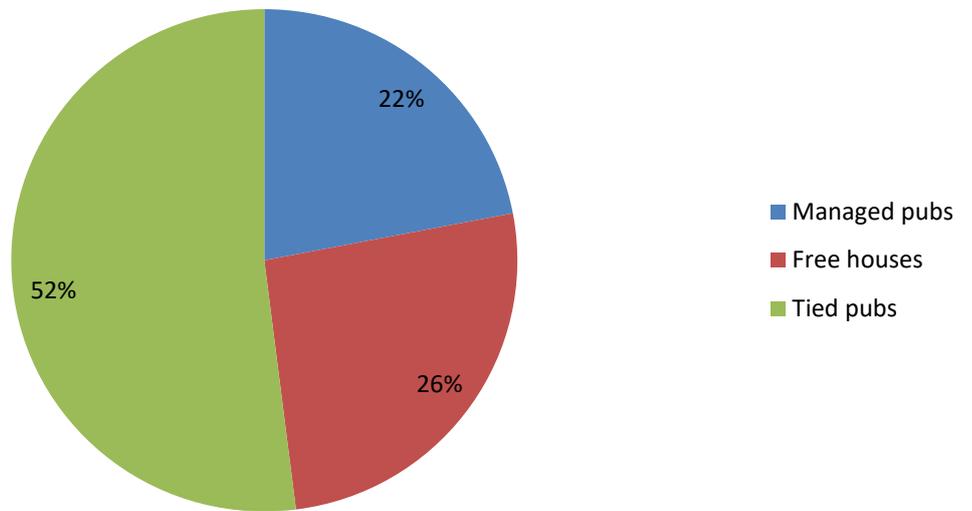
Source: Author's Own

As will be analysed in following chapters, the global financial crisis reshaped the profitability and viability of these financialised models, in turn generating a period of volatility in which rates of pubs closures have risen but continue to fluctuate, with the

peak being 52 closures per week in 2009 (FT 23rd January, 2012). This form of government intervention therefore initiated the financialisation of the British pub market and was signified by the “emergence of a few very large-based companies” operating under similar models and corporate ideologies based upon the core constituents of financialisation (Preece, 2008: 1114).

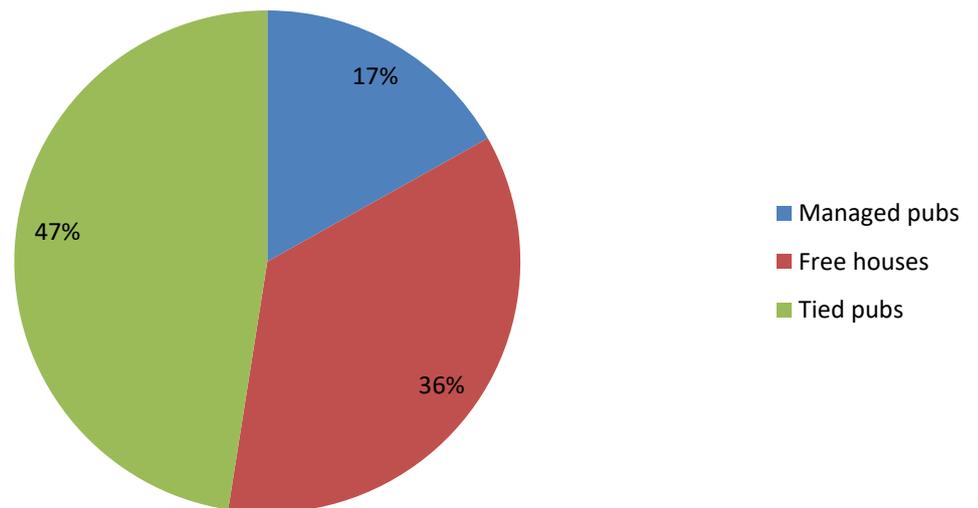
Numerous accusations have been directed towards pubcos, such as the unfair nature of being able to “negotiate generous discounts” from brewers but choosing to not pass those savings on to tenants (Pratten, 2007: 66). Taking too much profit from pubs due to over-indebtedness is also “putting tied pubs at a competitive disadvantage” (Muir, 2012: 19), as is focusing strategy on value and share price as opposed to performance and sustainability, often resulting in pubcos being “predominantly concerned with ensuring that a new lessee could afford to pay the rent, rather than also ensuring that they were capable of running a pub” (Pratten, 2006: 66). When combined with above-market rental costs, commentators argue that pubco strategies have forced tenants to “raise the price of beer to cover their costs, but this only drove the drinkers away” and meant that “many lessees went bankrupt” (Lewis, 2001: 156). Figures 4.9 and 4.10 demonstrate the changing structure of the British pub market following the Beer Orders.

Figure 4.9 British pub market structure, 1989



Source: Parliament (2004)

Figure 4.10 British pub market structure, 2014



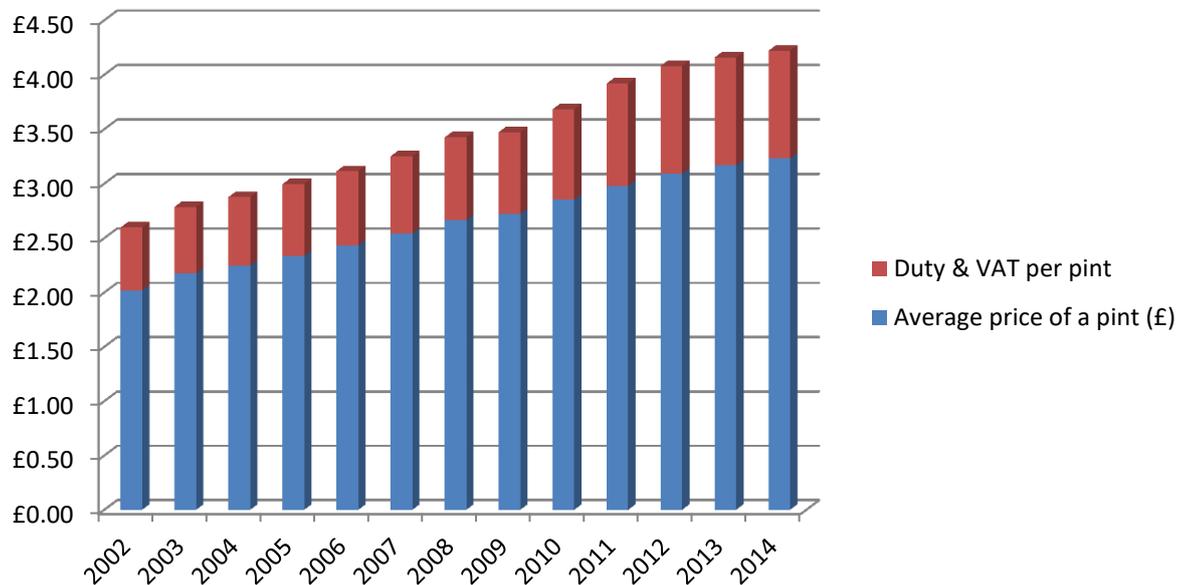
Source: BIS (2013)

Upon acknowledging how nowadays “two fifths of British pubs are owned by pubcos, two fifths are free houses, and the rest are owned by breweries” (Cabras & Higgins, 2016: 617), the role of the pubco in terms of the financialisation of the market becomes a crucial point of analysis. Understanding the context and emergence of the pubco will therefore facilitate an engagement with the role of financialisation in the “change to the business model of licensed premises” and the extent to which it has generated geographies of closures and a reorientation of the role of the pub (Roberts & Townshend, 2013: 455). With most recent closure statistics showing that an average of 28 pubs closed every week during 2015 (TPMA 4th February, 2016), in addition to a rapid acceleration in the decline since the economic downturn, assessing the role of financialisation in relation to how the “trickle of pub closures has become a flood” (Snowdon, 2014: 11) will provide substantial empirical and theoretical contributions.

4.2.1 Regulatory factors

Taxation of alcohol drinks in Britain is the highest of its kind throughout the EU, with pubs facing a “52% hike in the duty payable on beer since 2004” prior to the scrapping of the beer duty escalator (Roberts & Townshend, 2013: 458; Muir, 2012). Tax appears to be the only issue with which there is industry-wide consensus, with campaigners, pubcos and landlords in agreement that rates of taxation have hindered the development of pubs. This is reinforced upon acknowledging how “pubs make a disproportionately large contribution to the public purse”, with the on-trade sale of a pint generating more than double the tax revenue of an off-trade equivalent (Muir, 2012: 30).

Figure 4.11 Duty and VAT as part of the average price of a pint in Britain, 2002 – 2014 real £s)

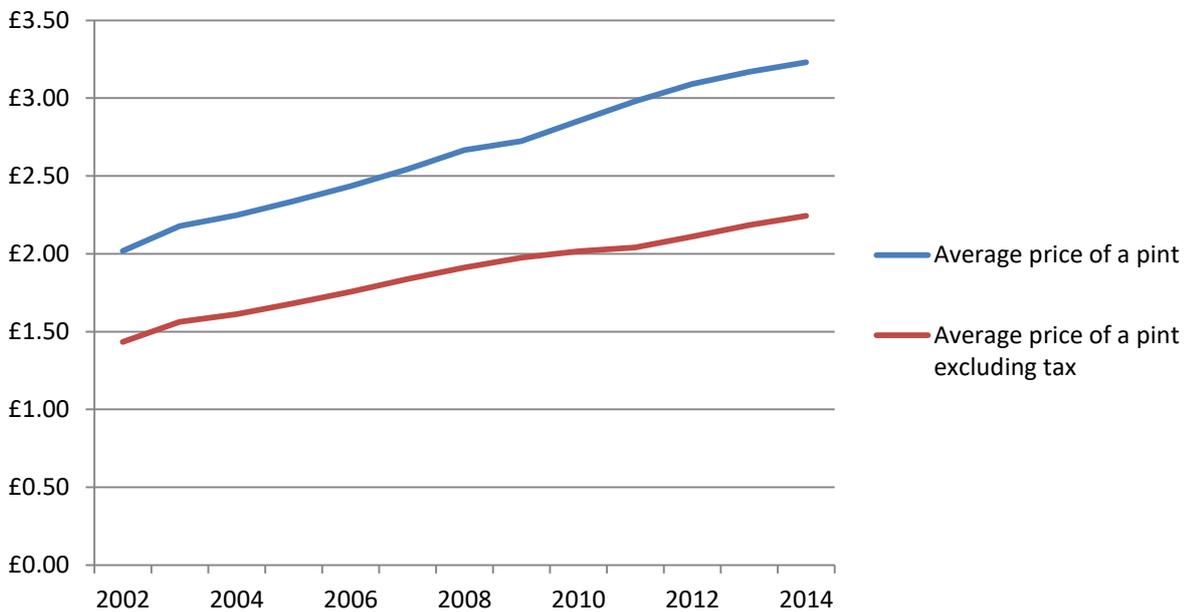


Source: Author’s own; data obtained directly from contacts at the British Beer and Pub Association

Figure 4.11 shows how duty and VAT rose from £0.58 per pint in 2002 to £0.99 per pint by 2014. This annual rise in taxation, labelled as the “tax escalator” was scrapped by the Chancellor in 2014 and in turn had a positive impact on pub retention. A report into the tax escalator claimed that if beer tax had continued to rise “more than 1,000 additional pubs would have closed, 750 million fewer pints would have been sold and 26,000 jobs would have not been created” (The Drinks Business 3rd February, 2016). Figure 4.12 displays the sharp rise in the average price of a pint in Britain over the last decade, demonstrating the impact of duty and VAT.

Figure 4.12 Impact of tax on the average price of a pint in Britain, 2002 – 2014

(real £s)



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

Another critical regulatory factor surrounds the implementation of a national smoking ban. Introduced on July 1st 2007, the British ban prevented smoking in all workplaces, public transportation and a number of retail outlets including pubs. Described as having a “profound effect” on pubs in Britain, research following the commencement of the ban suggested that as “smokers have always been disproportionately more likely both to drink and to visit pubs”, the legislation negatively affected the on-trade (Snowdon, 2014: 28). An FLVA study (2008: 2) further demonstrated the damaging impact of the ban on pubs through highlighting a shift from 54% of pub goers being smokers to only 38% following its introduction, with a range of other studies “showing

that the smoking ban has been highly damaging for many, but not all, pubs” (Snowdon, 2014: 28).

4.2.2 The rise of the off-trade

In recent years the “shift towards purchasing alcohol away from licensed premises” has been dramatic, with Britain witnessing a 40% decline in alcohol being purchased and consumed at on-trade premises between 2001 to 2008 (Foster & Ferguson, 2012: 355). Cabras and Higgins (2016: 617) explain this transformation further:

“A significant decrease in the prices of food and alcoholic beverages from off-licenses and supermarkets has also had an impact on customers’ choice and on the attractiveness of pub nights. More affordable prices provided by off-license trade gave incentives for people to drink at home rather than in public places”.

In this sense, stagnating disposable incomes and better off-trade value reduces the extent to which individual’s visit their local pub. The growth of the off-trade therefore comes “at the expense of the on-trade” and this has damaged pub trade through “over 50,000 net job losses between 2010 and 2011, with a fall in wages and GVA of £930m and £3,415m respectively” (Oxford Economics, 2011: 19).

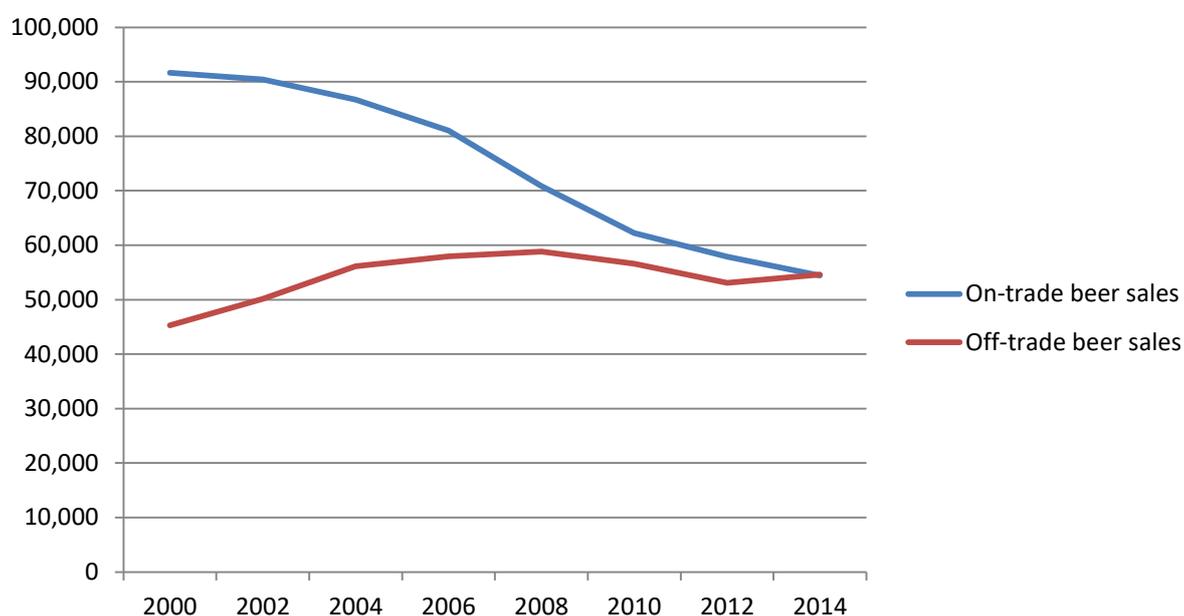
The core argument in regard to off-trade premises, and in particular supermarkets, surrounds their ability to sell alcohol at much cheaper rates than pubs, something which campaigners believe has created an unfair trading landscape. The combined impacts of increased taxation, rising overheads and pubco strategy, have meant that the price of beer has risen sharply in most pubs compared to supermarkets (Muir, 2012: 1). Attached to this transformation has been the phenomenon of pre-drinking,

which involves the domestic consumption of alcohol prior to a social function or night out (Wells *et al.*, 2009: 4). There are a number of reasons as to why this trend has emerged and they broadly surround the relative affordability of alcohol drinks in off-trade premises compared to pubs and bars (Foster & Ferguson, 2012), the rise of in-home entertainment and a youth culture more closely attached to nightclubs. It is widely accepted that this transformation has been spurred by the ability of off-trade premises, particularly large supermarkets that hold a dominant position in the market, to sell alcohol at a much lower price than pubs, bars and restaurants.

Figure 4.13 illustrates the disparity between on-trade and off-trade beer sales in Britain, revealing the decline in on-trade sales alongside the growth of the off-trade. This data reinforces the argument that the ability of supermarkets and off-trade premises to sell alcohol at much lower prices is negatively impacting pubs in Britain.

Figure 4.13 Total on- and off-trade beer sales in Britain, 2000 – 2014 ('000

barrels)



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

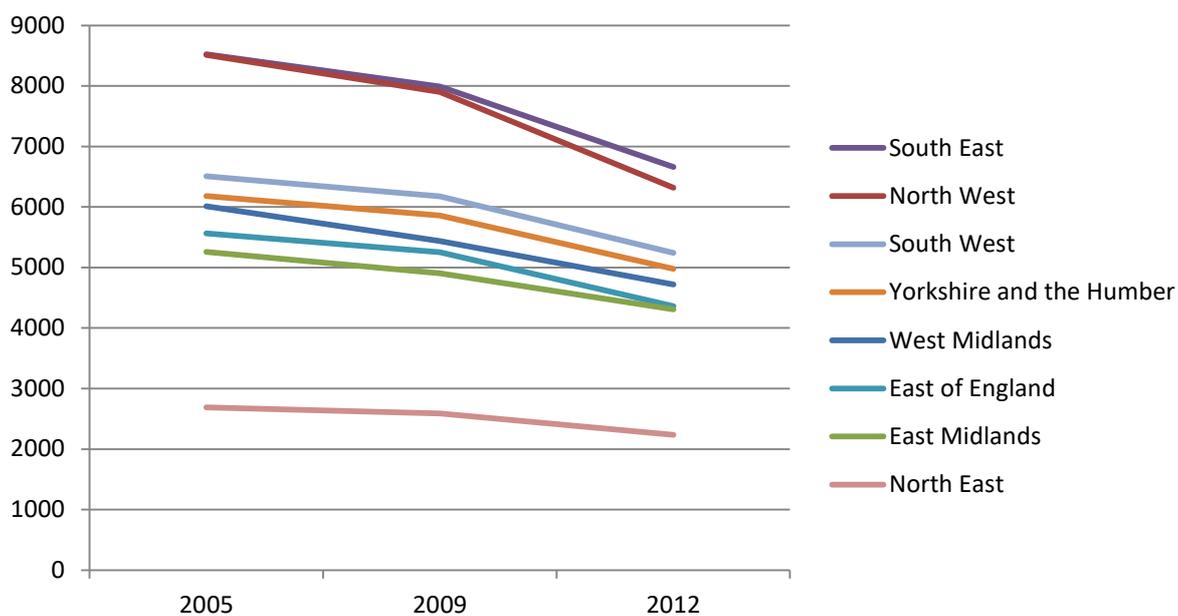
4.2.3 Changing pub geographies

Commentators argue that there is no “uniform trend” or “definite pattern” to pub closures throughout Britain, and that it “very much varies” from place to place (Public Affairs Director, British Beer & Pub Association, Author’s Interview, 2015). Of significant importance to this research is therefore the notion that the “geographical concentration of pub closures is uneven”, something which poses as an opportunity to explore the spatial dimensions of financialisation (Roberts & Townshend, 2013: 3). Commentators traditionally conceived of the unevenness within a North-South framework, but as the socio-economic landscape changes, so does the geographical concentration of pubs.

“There were a lot more pubs in the North of England than the South of England and they were developed on the strength of the steel industries, the coal industries and the car industries. In the workhouse north you’d have a typical pit village and there would be four pubs created, so in terms of pub numbers there was always a lot more in the North and so there was more available to close. When the employment changed, the coal industries closed down, the steel industries, they didn’t need four pubs in the village anymore, they needed maybe one because of the nature of the workforce and the employment in the area” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Whilst regional disparities throughout the national pub estate have always existed, the aim of following chapters is to analyse how financialisation further shapes and exacerbates these disparities. Figure 4.14 demonstrates this geographical unevenness through recent pub closures.

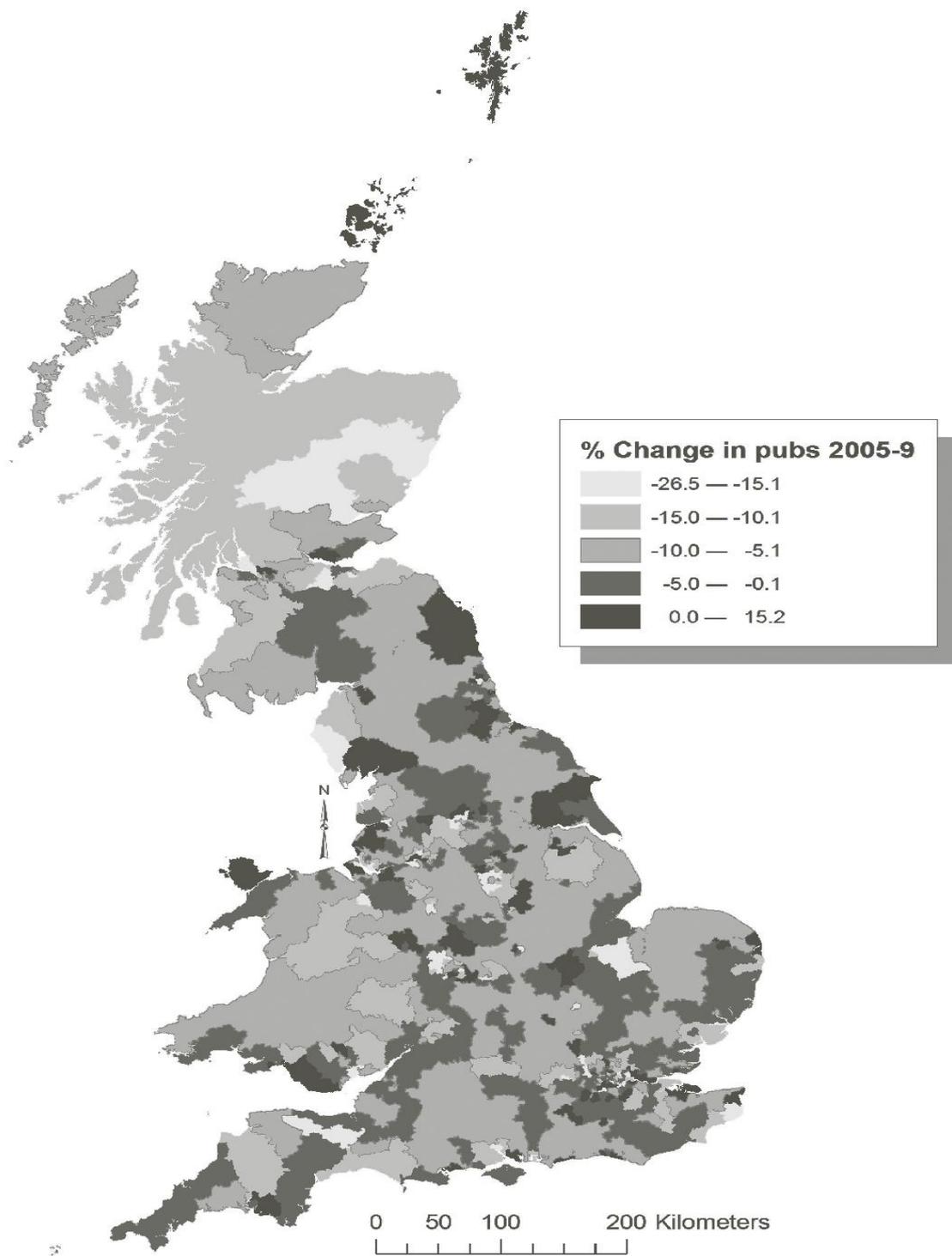
Figure 4.14 Pub closures by region in England, 2005 – 2012



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

The North East, whilst having the least number of pubs at the start of the period, lost only 17% of their estate compared to other northern regions such as the North West (- 26%) and Yorkshire and the Humber (- 19%). Regions further south such as the East Midlands (- 18%), West Midlands (- 22%), South West (- 19%) and South East (- 22%) also lost a greater proportion of their pub estates than the North East. The impact of the financial crisis serves to underline spatial unevenness even further, with Figure 4.15 highlighting the nature of changing pub geographies prior to and during the economic downturn.

Figure 4.15 Change of British pub geographies, 2005 – 2009



Source: Image taken from Muir (2012: 12) mapped by John Pritchard for CGA Strategy

Table 4.1 Pub closures per region in England, 2005 – 2009

<u>Region</u>	<u>Number of pubs</u> <u>2005</u>	<u>Net pubs closed</u> <u>2005-09</u>	<u>Percentage pubs</u> <u>closed 2005-09</u>
<u>West Midlands</u>	6,013	-576	-9.6%
<u>North West</u>	8,513	-612	-7.2%
<u>East Midlands</u>	5,259	-356	-6.8%
<u>South East</u>	8,521	-530	-6.2%
<u>East of England</u>	5,562	-311	-5.6%
<u>Yorkshire and the</u> <u>Humber</u>	6,181	-322	-5.2%
<u>South West</u>	6,507	-334	-5.1%
<u>London</u>	6,583	-329	-5.0%
<u>North East</u>	2,691	-103	-3.8%

Source: Muir (2012: 13)

Table 4.1 provides a more detailed picture of these transformations through displaying net pub losses and the percentage of pubs closed following the economic downturn, further demonstrating the unevenness of closures at the regional level. The spatially uneven closure trend is continuing at present, with the latest statistics in table 4.2 demonstrating the continuation of regional disparities.

Table 4.2 Net loss of pubs per week in England, 2015

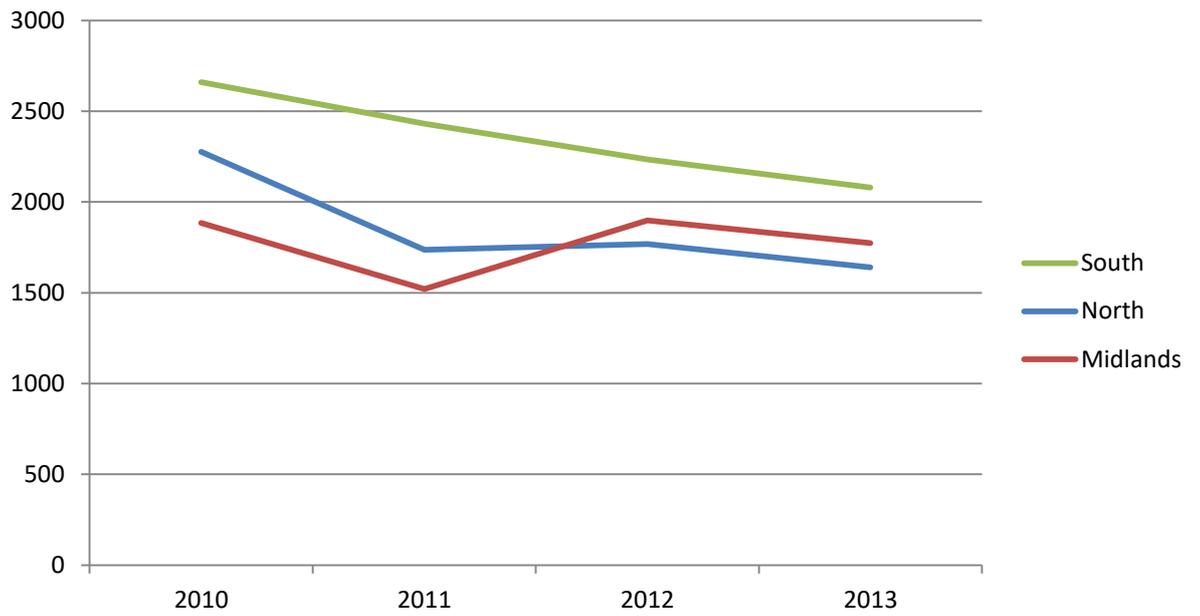
<u>Region</u>	<u>Net loss per week</u>
London	10.2
Midlands	5.8
North East	4
North West	3
South West	1.8

Source: CGA strategy, TPMA, 20th July (2015)

Preceding data not only demonstrates the impact of the financial crisis on pub closures but crucially the geographically uneven nature of the decline at the regional level. Whilst this chapter has introduced a range of factors contributing to pub closures in Britain, analytical chapters argue that the role of geographically indiscriminate and spatially blind pubco strategies play a causal role in the geographical unevenness of pub closures in Britain.

Analysed in detail in following chapters, the dominant pubcos and their disposal strategies have generated spatially uneven pub closures. Figure 4.16 captures this transformation through Enterprise Inns and region disparities in their pub estate following the crisis.

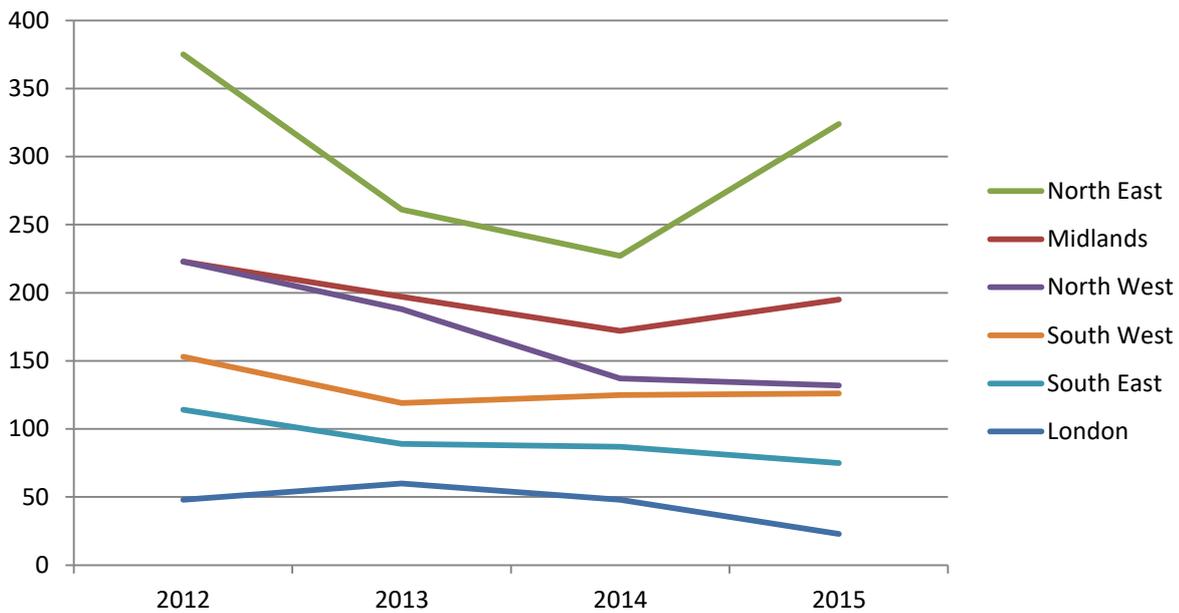
Figure 4.16 Enterprise Inns pubs by region, 2010 -2013



Source: Enterprise Inns Annual Reports (2010 – 2013)

Represented not only by closures, data from the Royal Institute of Chartered Surveyors (RICS) also demonstrates the regionally uneven experience of tied pubs in terms of openings. Figure 4.17 highlights the spatially uneven development of the national leased estate at the regional scale.

Figure 4.17 Number of new tied leases per year by English region, 2012 – 2015



Source: RICS (2016)

Data presented in this section demonstrates the spatially uneven development of pubs in Britain over recent years. The remainder of this thesis aims to explain how the core principles and constituents of financialisation have played causal roles in the emergence and exacerbation of these spatially uneven trends, and in turn, how the processes of financialisation are spatially and temporally variegated.

4.2.4 Pubs in Newcastle: pubcos, deindustrialisation and the North East's rich pub heritage

Ensuring the preservation of the North East's rich pub heritage has been labelled as a "serious conservation challenge" due to phases of modernisation, theming and homogenisation that have contributed to the diminishment of a great number of

historically recognised pubs (Holland *et al.*, 2006: 3). A significant number of Newcastle's "old industrial drinking haunts", with affiliations to the North East's shipbuilding and heavy industries, have either been replaced by premises which better suit changing consumer preferences or have ceased to function altogether (Nayak, 2006: 818). Whilst Newcastle exhibits the dynamic of "maintaining a strong element of local and regional nightlife operators" which have proven relatively resilient in terms of the standardised national conglomerates when compared with other regions, a substantial number of pubs strongly affiliated to the industrial era have since ceased to exist (Hollands & Chatterton, 2003: 374).

The Newcastle pub market experienced decline following waves of deindustrialisation which began during the 1980s. The experience of pubs in Newcastle reflects broader changes induced by deindustrialisation, surrounding changing drinking habits, the erosion of customer bases and the transformation of the social perception and value of pubs throughout communities.

"We don't have an industrial base anymore, and every pit head and ship yard used to have pubs outside the entrances and exits of the workplace. Well people don't work in that way anymore so that type of pub has just gone [...] back in the industrial heyday, during the 1970s pre Beer Orders, beer production in this country might have been around 42 million beer barrels and its now down to 30 million beer barrels. Some of those figures might be due to transference to other alcohols, you know like wine and spirits or whatever, but really most of it is the consumption by working people" (Journalist and Beer Writer, Author's Interview, 2015).

Whilst Newcastle continues to experience change, perhaps the most dramatic transformation occurred following rapid deindustrialisation when beer was still “regarded as liquid bread” (Journalist and Beer Writer, Author’s Interview, 2015). Through being “caught between these general processes of change such as mergers, delocalisation of ownership and branding, and processes of stasis from relatively well established patterns of local demand” (Hollands & Chatterton, 2002: 295), examples from Newcastle offer insight in regard to the national context and enable an engagement with the role of financialisation in contributing to uneven pub closures at local and regional levels.

The case of Newcastle will therefore provide worth through showing the fine grained and grounded unfolding of the processes of financialisation. The experience of actors working within the Newcastle context will enable insight to be generated in regard to the refraction of financialised practices from national to sub-national scales, exposing the heterogeneous and uneven enactment of financialisation in terms of both its processes and material outcomes.

4.3 The evolution of the German pub market

Pubs in Germany have been described as “meeting places, social spaces [...] and second living rooms” (Spokesperson, German Hotel and Restaurant Association, Author’s Interview, 2015), playing a significant social, cultural and economic role. Whilst a range of factors have resulted in pub closures throughout Germany, the recent history of the market has not been as turbulent as the British experience, with the market structure remaining relatively constant without any similar impact akin to

the Beer Orders. This can be partly explained by 80% of pubs in Germany being independently owned and operated by private individuals and families, with the remaining 20% under the control of breweries and a limited number of pub retailers (Managing Director, German Pub Retailer, Author's Interview, 2015).

This particular structure has ensured a mutually dependent relationship between pubs and brewers, as brewers are encouraged to develop positive relationships and offer exclusivity contracts with pub owners in order to maintain an on-trade presence in a fiercely competitive market. The nature of this relationship means that the structure, strategies and behaviour of brewers, and the extent to which they are based upon the core constituents of financialisation, is crucial towards understanding the relationships between financialisation and pub closures. Whilst domestic German brewers have remained relatively resilient against the normalisation of financialisation, the business models of international brewers working within Germany align closely with the core constituents of financialisation.

Unique to Germany, and critical to understanding how the geographical and institutional structures of variegations in capitalism shape and mediate the processes of financialisation, is the regionally framed nature of both pub and brewing markets. The localised dynamic of pubs and brewing provides an opportunity to analyse the role of geographically particular structures, cultures and norms in shaping the enactment of financialisation at firm-level.

“All the brewers, even the brands that sell nationwide, they still have a very strong regional basis in the region where they are coming from. For example Paulaner, we sell Paulaner all over Germany but by far, the most volume is sold

in Bavaria and Baden Wurttemberg, in the South of Germany” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015).

As following chapters address, the “German beer drinker wants to drink local, regional beer” (PR Officer, German Brewers Association, Author’s Interview, 2015) and through centuries of social reproduction and normalisation, this firmly embedded cultural norm presents itself as a major challenge to brewers, pub operators and financialised ownership structures.

The regionality of the market, in addition to the “ongoing consolidation process and growing competitive pressures” emanating from international brewing groups (Theuvsen *et al.*, 2010: 65), provide an opportunity to address how the logics of financialisation are altering the behaviour of brewers and generating pub closures. Analysing the nature of German brewers being “wedded to their region as opposed to the country” (Journalist and Beer Writer, Author’s Interview, 2015) also serves to address the core research aim surrounding the role of institutional and geographical structures of variegations in capitalism shaping and mediating the processes of financialisation.

In terms of pubs, the experience of Dortmund reflects the broader national context, where a range of cultural, regulatory and demographic factors are responsible for pub closures but particularly the decline of smaller, traditional, wet-led premises:

“The small pubs, the corner pubs, there’s only one really left here in Dortmund [...] these kind of pubs are closing everywhere [...] the social context has broken, meeting after the shift in the pub for a beer [...] this has completely changed now” (Owner, Dortmund Music Bar, Author’s Interview, 2015).

These factors have generated geographically uneven closures and analytical chapters examine the role of financialisation in further driving and exacerbating this transformation.

4.3.1 Regulatory factors

Whilst tax and duty are still prominent issues, their impact is less significant when considering how “the duty rate in the UK is now an astonishing 14 times that in Europe’s largest beer market, Germany” (TPMA 24th September, 2015). Nonetheless, even though German beer drinkers are paying 4p a pint compared to Britain’s 52p, tax revenues generated by beer reached over 6,294 Euros in 2015, with over 30% of that coming from on-trade VAT (Brewers of Europe, 2016).

Similarly to Britain, Germany has also witnessed a transformation in regard to the initiation of smoking bans as part of the Federal non-smoking act. These bans are governed and applied by individual Lander, meaning that in terms of pubs, certain laws are dependent on “whether an establishment is bigger than 75 square meters, if the owner and his or her family live there, whether the food is packaged or freshly cooked, and if minors are allowed in” (DW 31st August, 2012). Commentators in Germany argue that in the wake of the smoking ban “owners of pubs are confronted with the fact that their business model does not work anymore” (Spokesperson, German Hotel and Restaurant Association, Author’s Interview, 2015). The greater cultural relationship between drinking and smoking in Germany has generated a highly critical response to the ban.

“Previously you could think of it as a three-legged bar stool; one leg drinks, the second leg was for smoking, the third for the social [...] with the smoking ban, the second leg has been dropped and collapsed the bar stool” (Spokesperson, German Hotel and Restaurant Association, Author’s Interview, 2015).

Throughout North-Rhine Westphalia, the impact of the ban is said to have generated a decline in up to a third of pub trade, proving to be particularly disruptive to the smaller, wet-led premises (The Local 1st August, 2013). This has transformed the geography of the German market through generating closures throughout rural areas, as pubs in remote areas tend to be less resilient to external shocks, and in turn enhanced the dominance of the city-centre:

“For us the non-smoking law was an advantage. The pubs in the outside surroundings died and people wanted to go there but with no pub anymore they said ‘right lets go to the city, there is more on so we have a wider choice and more people too’” (Manager, Dortmund City-Centre Pub, Author’s Interview, 2015).

In addition, whilst admitting that it is extremely difficult to quantify the precise impact, commentators have argued that throughout “some regions of Germany, 20% of the pubs of closed because of the smoking bans”, firmly asserting that pub trade has suffered due to a ban which ignores the cultural importance of how “German beer and cigarettes belong together” (PR Officer, German Brewers Association, Author’s Interview, 2015).

4.3.2 The rise of the off-trade

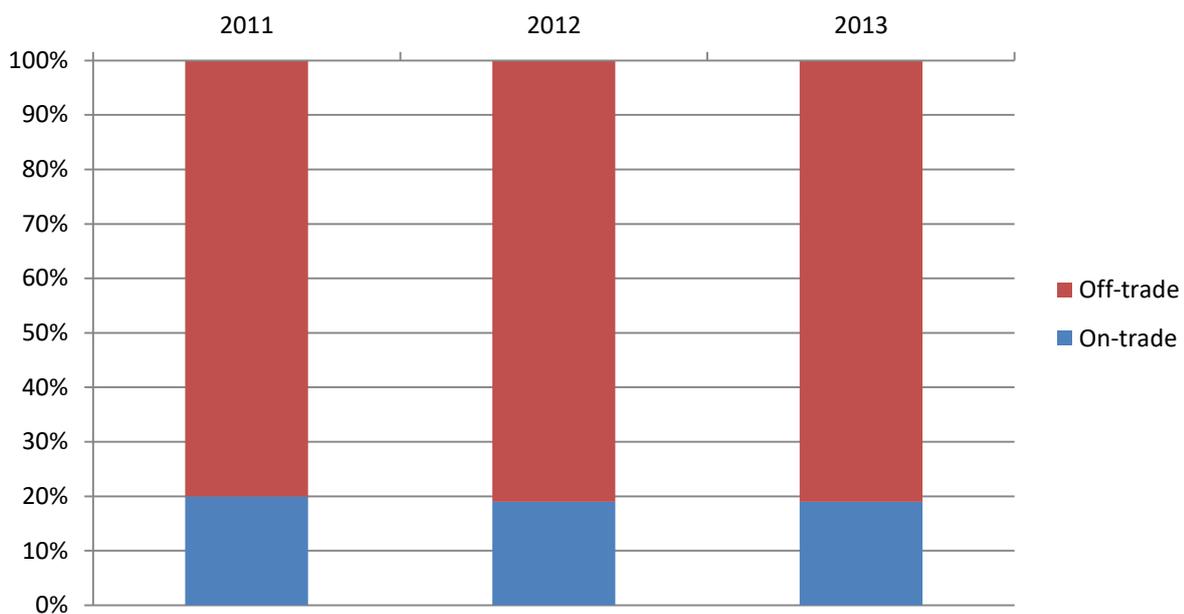
The rise of the off-trade has been even more prominent throughout Germany, with on-trade sales declining in wake of the growing popularity of at-home drinking.

“We have lost at least 20% of the pubs during the last 3 years with another 30% more than weak or close to bankrupt. Basically it’s lost a lot to the at home drinkers” (Managing Director, National German Brewery, Author’s Interview, 2015).

Figure 4.18 illustrates the dominance of the off-trade and demonstrates how significantly lower alcohol prices offered by supermarkets and off-licenses have negatively impacted pub trade. Whilst a range of pressures have forced pubs to increase the price of beer, the off-trade has remained highly resilient.

“A crate of beer today, even after the conversion to Euros, costs as much as it did over 20 years ago. In 1992 you paid about 20 deutschmark, now you pay 10 euros, and that’s the same price” (Editor, International Brewery Magazine, Author’s Interview, 2015).

Figure 4.18 On-trade and off-trade share of German beer sales, 2011 – 2013



Source: Statista (2016 A)

Off-trade beer sales in Germany have accounted for 80% of the market in recent years, a share which is expected to grow as the pub market continues to decline. Again, the extent to which these factors are mutually reinforcing is understood upon acknowledging how cultural transformations are driving the consumer shift towards the off-trade.

“The breweries are suffering because people going to places just to sit and have a chat and a pint and a packet of peanuts and then leaving again, I mean those days are over. You have to offer a little bit more because you may as well buy a case of beer for around 10 to 12 Euros, sit at home and drink it while watching a game of football, I mean why do you have to go to the pub?” (Director, European Brewing Organisation, Author’s Interview, 2015).

The growing dominance of the off-trade therefore reflects transformations in the drinking and consumption norms of German individuals, and has played an important role in the closure and changing role of pubs in Germany.

4.3.3 Changing pub geographies

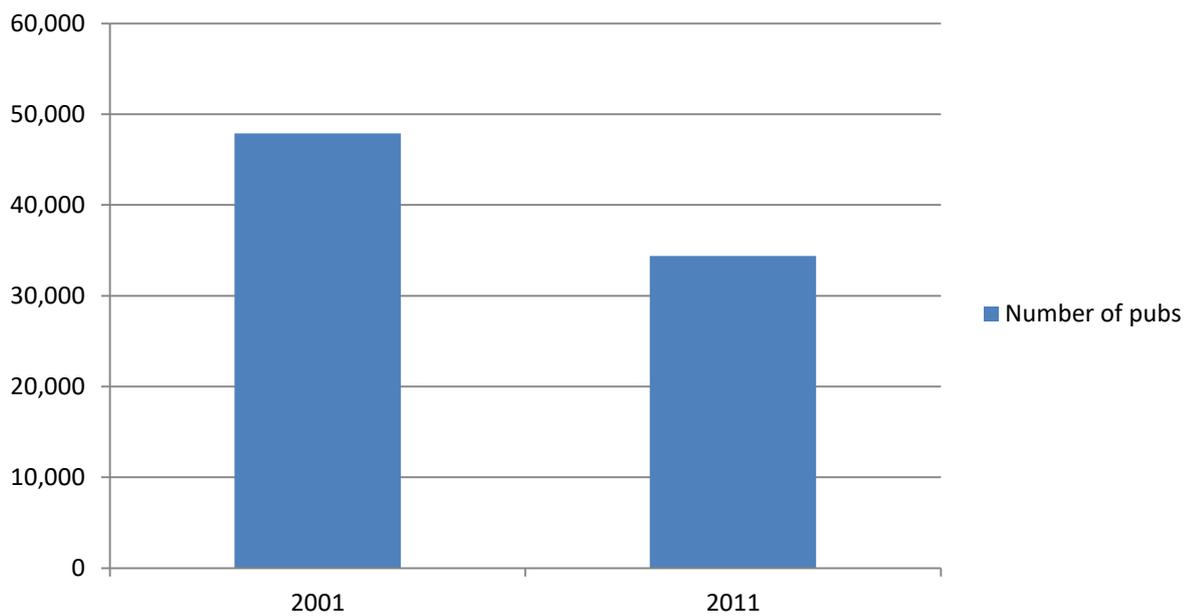
“The Kneipe is dying, it has no future”

(Owner, Dortmund Cocktail Bar, Author’s Interview, 2015)

Since the turn of the century Germany has experienced a growing trend of pub closures, a development which has been highly geographically uneven. With over a quarter of all pubs lost since 2000, states such as Hamburg and Lower Saxony, which each lost 48.1% and 41.2% of their pubs, are in stark contrast to Berlin and Baden-Württemberg which each experienced a respective rise of a 95.8% and 15.3 % (The Local 8th April, 2012).

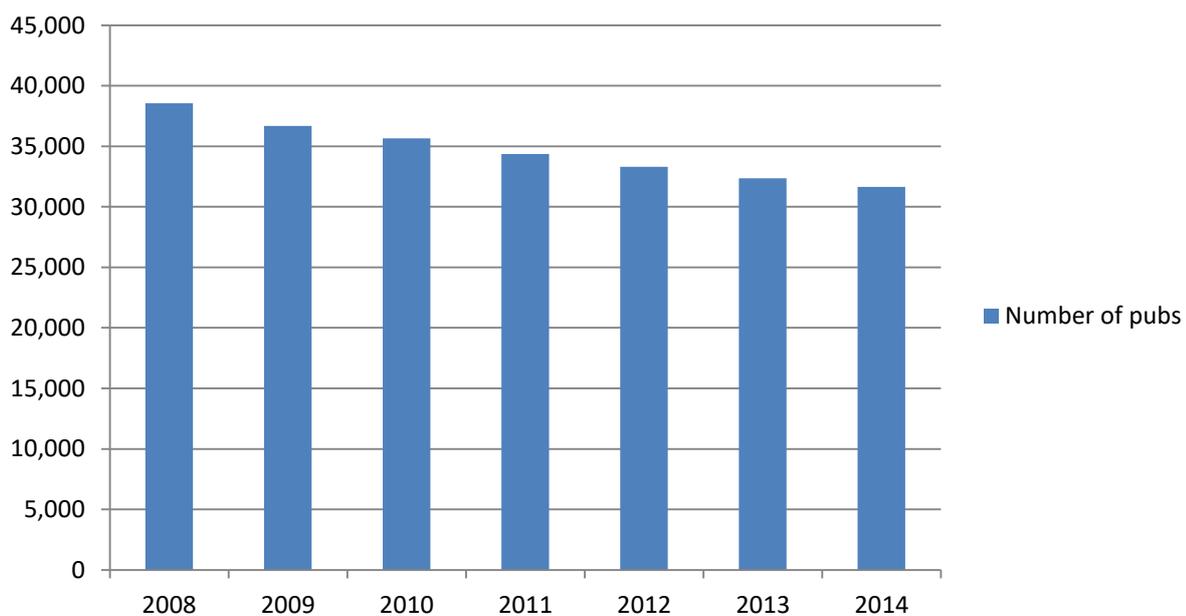
Whilst the total number of pubs fell by 13,499 between 2001 and 2011, shown by figure 4.19, the economic downturn had a serious impact through a loss of 6,899 pubs between 2008 and 2014, shown by figure 4.20. The extent to which such a rapid acceleration in the closure of pubs is attributable to the enactment of the processes of financialisation is examined in following chapters.

Figure 4.19 Total number of pubs in Germany, 2001 - 2011



Source: Author's own; data obtained directly from contacts at the German Brewers Federation

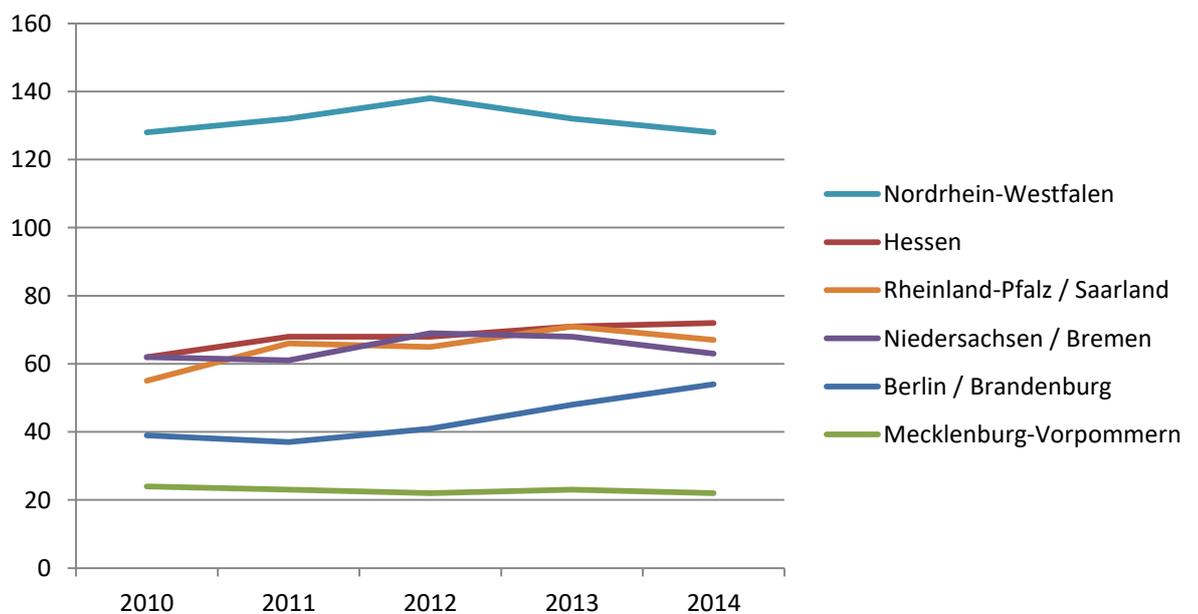
Figure 4.20 Total number of pubs in Germany, 2008 - 2014



Source: DEHOGA (2016)

In addition to the sub-nationally variegated experience of pubs in Germany, breweries have also experienced trends of geographically uneven development. Brewery concentration has occurred to a much greater extent in the north than the south and, as the case of Dortmund demonstrates, the nature and extent of brewery concentration serves to impact pubs differentially (Adams, 2006: 190). More brewers within a region typically means more pubs and more diversification, meaning that a higher rate of brewery concentration, where a region is controlled by a small number of dominant firms, tends to create a homogenised pub market shaped by exclusivity contracts framed around centralised strategies. Figure 4.21 illustrates the spatially uneven development of brewers across German regions.

Figure 4.21 Change in brewery numbers by region, 2010 – 2014



Source: Author's own; data obtained directly from contacts at the German Brewers Federation

Similar to Britain, this section has identified a range of perfect storm factors that play a causal role in the closure of pubs throughout Germany. Both German pub and brewing markets have therefore experienced regionally uneven transformations in recent years and analysing the specific “ideas, practices (and) relationships” of financialisation (Christophers, 2015 A: 230/231) aims to provide insight regarding the relative role of financialisation increasingly driving and shaping these changes.

4.3.4 Pubs in Dortmund: changing tastes and changing ownership

The reorientation of the Dortmund pub estate is firmly attached to the development of the local beer market. Brewing in Dortmund has undergone significant restructuring following the concentration of the market in recent decades, a process which has impacted the shape and format of the local pub estate. Table 4.3 details the stages:

Table 4.3 Brewery concentration in Dortmund, 1987 – 2004

<u><i>Brewery</i></u>	<u><i>Bought</i></u>	<u><i>Closed</i></u>	<u><i>Acquirer</i></u>
<u><i>Dortmunder Stifts- Brauerei</i></u>	1987	1996	Kronen
<u><i>Their</i></u>	1992	1994	Kronen
<u><i>DUB</i></u>	1995	1992	Ritter
<u><i>Dortmunder Kronen</i></u>	1996	1997	DAB
<u><i>Brau & Brunnen</i></u>	2004		Oetker

<u>DAB</u>	2004		Oetker
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Source: Adapted from European Beer Guide (2016)

The process of concentration began with the Dortmund Union Brewery and Ritter brewery coming under the ownership of the Brau and Brunnen Group in 1988. By 1995 the iconic Union brewery had ceased all operations and production was transferred to the Ritter brewery. At the same time, the Dortmunder Actien Brewery was bought by the Oetker Group, a powerful German conglomerate owning and controlling a range of successful food and drinks brands. The process was complete when Oetker bought the Brau and Brunnen Group in 2003, bringing the once “passionate rivals” of DAB and DUB under the same ownership, an event described as the “final indignity” in the rationalisation of Dortmund’s brewing industry and its rich beer heritage (Protz, 2004).

Brewing in Dortmund and the wider North-Rhine Westphalia region is now controlled predominantly by the “strategic business arm” of the Oetker family in the form of the Radeberger Group (Radeberger Group, 2016). This process of concentration has not only impacted the regional beer market but also the strategies and operations of pub owners:

“I think Dortmund is one of the worst and best examples of the beer industry mainstreaming a taste and mainstreaming an industry, this is the way that I’ve seen Dortmund for quite a while and maybe even North-Rhine Westphalia” (Journalist, German Bar Magazine, Author’s Interview, 2015).

The close relationship between pubs and brewers, based upon long-term exclusivity contracts which tie the businesses together, ensures that both markets are

interdependent and means that significant changes in the brewing industry impact the way pub operators run their businesses. The concentration of breweries and the concomitant reduction of available brands served to damage trade and this has fuelled a recent drive for re-diversification based on consumer demand.

“I come from Dortmund and when I was young, a long time ago, we had a lot off small breweries from all these towns around there. They all got concentrated, they were closed or bought up by bigger breweries and now there is a process of re-diversification going on” (Author & German Pub Commentator, Author’s Interview, 2015).

In this sense, “as the District's economic base changed, so did its tastes”, with brewery concentration impacting the extent to which the “venerable Dortmund Export, which once put Dortmund on the beer map, now accounts for only a small portion of the city's beer output” (German Beer Institute, 2006). The case of Dortmund, through offering a microcosmic view of the national market, will be utilised to exemplify how broader transformations surrounding the brewing market are impacting the closure and geography of pubs but crucially how the processes of financialisation contribute to these transformations.

4.4 Different country, same story: the urbanisation of pubs

Britain and Germany are experiencing a similar transformation in the form of the urbanisation of pubs. Despite a widely held misconception, in recent years the city-centre has proven to be the most resilient space for pubs in Britain:

“The seemingly long held perception that regional city-centres have been haemorrhaging licensed leisure trade to a strengthening suburban town and larger village markets belies the reality of what we have seen happening on the ground” (TPMA 19th February, 2015).

The rise of city-centre pubs in Britain has been significant, as by 2003 and during the emergence and growth phases of the major pubcos, city-centre pubs accounted for more than 10% of all premises, a transformation which commentators argue “has had a devastating impact on established community pubs in a declining overall market” (Neame, 2003: 30). Data from CAMRA indicates that during the first half of 2015 “a net total of 17 pubs were lost a week in suburban areas, compared with nine rural pubs and three high-street outlets” (TPMA 8th October, 2015). Research by conducted by CGA Peach reinforces this position, as between 2005 and 2015, pub openings in suburban areas decreased by an average of 20% compared to an 8% increase witnessed throughout city-centres (TPMA 19th February, 2015).

The closure of pubs has occurred at a much higher rate in rural areas partly because the “customer base is limited” but also because of the increased “demand for residential property” (Roberts & Townshend, 2013: 457). Neil Walker, spokesperson for CAMRA, believes that these rural and suburban pubs are the “classic street-corner, wet-led pubs and community locals that have been an integral part of British culture for hundreds of years”, asserting that changing drinking habits and the profound impact of rising property values results in these types of pubs closing at a faster pace (TPMA 8th October, 2015). Neame (2003: 28) argues that the reason behind this transformation is the emergence of “a rash of new youth-oriented pubs over-concentrated in city-centres”, which has consolidated the strength of the city-centre

and in turn significantly contributed to the “decline of Britain’s traditional pubs, the cornerstones of local communities”.

The urbanisation of pubs is not however a uniform trend when considering different forms of ownership. The dominance of the city-centre by larger pubcos is matched by the increased marginalisation and squeezing out of independently owned free-of-tie houses, which have suffered through heightened forms of competition and rising property prices, as Hollands and Chatterton (2003) argue:

“These large, corporately-backed pubcos are able to put up large sums of money to transform high-value listed city-centre buildings in prime locations into new premises, spatially squeezing out independent entrepreneurs and dominating the urban landscape”.

This trend is likely to have occurred because of the growing dominance of pubcos and their preference surrounding the purchase of pub property which has the greatest chance to increase in value. In this sense, whilst rural areas are losing pubs at a much greater rate, the nature and form of ownership of rural pubs is also changing.

“Rural areas certainly are suffering, and you find that there are more likely to be free houses in rural areas, rather than tenanted or managed pubs”
(Journalist and Beer Writer, Author’s Interview, 2015).

Financialised pubco strategies, based on acquiring and churning assets as a means of enhancing market capitalisation, provides an explanation for changing pub geographies through forcing independent operators into rural areas where operational pressures are even greater. Pubcos therefore play a critical role in exacerbating the

urbanisation trend through acquisition strategies which predominantly target city-centres (Journalist and Beer Writer, Author's Interview, 2015).

It could therefore be argued that the financialisation of the market, in conjunction with broader social and regulatory factors, has led to the urbanisation of pubs in Britain, fuelled by the emergence of financially oriented corporate entities which conceive of city-centre premises as best suited to appease financial machinations. This demonstrates how geography intrudes on the strategies, decisions, valuations and financial assessments undertaken by pubcos, an important element of analysis for later discussions surrounding financialisation and property ownership.

Germany has experienced a similar transformation but for different reasons, with the decline of rural pubs matched by the resilience of the urban estate. The fact that approximately 80% of German pubs are independently owned and operated potentially suggests that the majority of pubs are more exposed to external challenges. Regardless of the accusations directed towards pubcos, their ability to acquire debt-finance for expansion, their centralised buying power, economies of scale and ability to effectively lobby government has preserved a great number of pubs in recent years. A lack of similar organisational structures throughout Germany has exacerbated perfect storm factors mentioned in preceding sections, particularly for those operating within weaker rural markets, and in turn generated further closures.

“In the cities you still find plenty of pubs, if you go to Berlin you see pubs on every corner, but in the countryside the pubs are dying” (Editor, International Brewery Magazine, Author's Interview, 2015).

A core factor behind rural pub closures emanates from the desire of younger generations to relocate to cities where employment prospects and leisure opportunities are enhanced:

“The people are moving from the country to towns and that’s the reasons why the old, traditional beer pubs are closing in larger regions like Bavaria, North-Rhine Westphalia and the North of Germany as well” (PR Officer, German Brewers Association, Author’s Interview, 2015).

Not only does this demographic transformation contribute to falling pub demand, in many cases, due to the family oriented composition of the market, it serves to disrupt the sustainability and longevity of particular pub businesses.

“In the city it’s something different but in the countryside there are many pubs that need to close because the business is not so good and also because many pub owners who come to the age of retirement they do not find any successors, nobody from their family wants to take over, and so there are many pubs who need to close because they do not find anyone who wants to continue the business” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015).

This broad urbanisation trend not only demonstrates how the process of pub closures is geographically uneven but also how associated consequences, such as the collapse of the “social fabric” of communities following the closure of a rural pub, impacts people and places in different ways (The Local 8th April, 2012).

4.5 Conclusion: changing pub geographies under the perfect storm

This chapter has been used to highlight how a range of explanatory factors exist when considering pub closures and that the causal and constitutive roles of these contextual and place-based factors relate to both changing pub geographies and financialisation. A number of factors have contributed to the transformations experienced by pubs in Britain and Germany and these can be categorised into “administrative/regulatory, demographic, and cultural” (Everitt & Bowler, 1996: 105). The combination of these factors has established what many commentators describe as the perfect storm, a scenario in which mutually reinforcing political, social and economic influences are generating pub closures, as well as inducing structural, operational and cultural transformations.

This chapter has demonstrated how “changing economies and shifting tastes” have directly contributed to the closure of pubs in Britain (New York Times 16th February, 2014). Through identifying and explaining the impact of a broad range of factors, in addition to illustrating the uneven nature of pub closures in recent years, it becomes clear that the future of the traditional pub remains uncertain, with following chapters analysing the role of financialisation in exacerbating levels of uncertainty. In the case of Germany, this chapter has demonstrated the close interrelationships between the pub and brewing markets, as well as explained factors causing pub closures and how there are regional disparities attached to those closures. Understanding the spatially uneven development of British and German pub markets is crucial for analysis, as it is argued that financialisation has played a casual yet uneven role in sustaining such geographical disparities.

This chapter has shown how there are competing explanatory factors for pub closures that are often mutually reinforcing, with financialisation existing as one of many. Rather than addressing which factor may be most important, analytical chapters provide plausible explanatory accounts concerning the relationships between financialisation and pub closures and focus attention towards disentangling and understanding the causal and constitutive role of its multiple processes. The principles and practices of financialisation will therefore be deployed as crucial elements in explaining the geographically uneven closure of pubs across variegations in capitalism.

Chapter 5: Variegated capitalisms and the mediation of financialisation

“People thought that all the international brewers would pile into the market in Germany, but if you look at the global market, global brewers like monopolies. They don’t like competition, because competition is bad for business”

(Editor, International Brewery Magazine, Author’s Interview, 2015)

This chapter addresses the core research aim surrounding the role of variegations in capitalism and their geographical and institutional structures in mediating the processes of financialisation. Whilst accepting that variegations of capitalism exhibit an “identifiable logic of action” (Deeg & Jackson, 2007: 172), this section diverges from traditionally nationally framed arguments which focus on the two personalities of capitalism (Albert, 1993: 18), and rather addresses the more nuanced elements of the plurality of contemporary capitalism.

This chapter is split into four main sections. It begins by comparing and contrasting the nature of financial capital throughout both variegations in capitalism. This is followed by three sections which each analyse a specific element of the geographical and institutional structures of variegations of capitalism. The first critically appraises the varied role of the state in terms of enacting, facilitating and repressing expressions of financialisation. The next section addresses the differentiated role of the shareholder, making reference to geographically variegated forms of shareholder value orientation

as a key constituent of financialisation. The final section addresses the role of nationally contained cultural configurations in shaping and mediating the processes of financialisation.

It is argued that in the case of the pub and brewing markets, the contrasting role of the state, the varied degree of shareholder primacy and differences in cultural configurations provide inherently disparate institutional contexts which mediate financialisation in different ways and generate spatially and temporally uneven outcomes. Whilst being attentive to the integral role of the firm in the expression of particular variegations of capitalism, this chapter also challenges the assumption that each form of capitalism is represented by a particular type of firm (Deeg, 2009: 553) through addressing sub-national variations, the agency of actors and the nuanced roles of socio-economic institutions.

5.1 The nature of financial capital in Britain and Germany

Finance plays an integral role and acts as a “core institutional dimension” of the overall form and functioning of particular variegations of capitalism (Deeg, 2009: 553). The nature of financial capital varies greatly between Britain and Germany and this section aims to introduce, identify and explain the common characteristics and institutional norms ascribed to each national context.

LMEs reflect changes induced by neoliberalism, globalisation and financialisation, where socio-economic landscapes have been transformed by the retrenchment of the state and the growing influence of free markets (Epstein, 2005: 3). In LMEs such as Britain, “stockbrokers have taken over from the bankers”, where the provision of

finance from banks has been replaced by an emerging market for debt, securities, derivatives and forms of financial innovation conceived as being inherently riskier yet able to provide short-term returns (Albert, 1993: 11). With “stock markets at the centre of corporate finance”, modes of corporate governance reflect these financial norms and arrangements, with terms such as “outsider system” and “external control” used to describe the often risk-laden, antagonistic and short-term oriented corporate and financial environments (Manow, 2001: 2). Corporate finance is therefore dominated by “unstable shareholder arrangements and significant equity financing”, both of which contribute to the short-termism and inherent profit maximisation exhibited by firms (Dixon, 2011: 196).

In contrast, the nature of German finance exhibits a much longer-term logic in which coordinated and trust-based relationships establish profits and growth alongside long-term financial stability and security (Albert, 1993: 11). As the “quintessence of a CME”, Germany’s institutional structure has been “built on the logic of strong reciprocal commitments, high wages, high skills, and a high degree of product, labor, and financial market regulation” (Engelen *et al.*, 2010: 64). The term “patient capital” has been broadly accepted as a defining feature of German finance and capitalism, a form of long-term capital which promotes high growth and stability through opposing “short-term profit maximisation” (Sablowski, 2008: 135). Banks “still have the upper hand” throughout the majority of CMEs (Albert, 1993: 11) through providing the primary lending function and playing a “strong monitoring role” (Dixon, 2011: 196). Rather than a more antagonistic role fuelled by individualisation, a strong emphasis is placed on cooperation and collaboration between the real and financial economies of Germany (Annesley *et al.*, 2004: 72), signifying how the nature of finance adheres to

the broader institutional norms surrounding “collective success, consensus and long-term concerns” (Albert, 1993: 18). The nature of financial capital in Germany is therefore different in the sense that it is encapsulated within a coordinated system that is underpinned by a focus on social progress (Volkery, 2013).

The particular characteristics of each financial environment inevitably affect the firms operating within them, leading to the articulation of bank-centred and market-centred systems of corporate governance (Davis, 2008: 13). The nature of financial capital therefore reflects the principles of the broader “constitutive logic” ascribed to variegations of capitalism and forms a particular financial environment which inevitably shapes and mediates the variegated processes of financialisation (Peck & Theodore, 2007: 736). Spatially uneven outcomes emanating from financialisation can therefore be understood as partly a result of the varying nature of financial capital and the role of formal and informal financial institutions framing modes of corporate governance.

The characterisations of variegations of capitalism and the nature of their financial arrangements do however change and evolve over time. Whilst the “threat of creeping neoliberalisation” to the coordinated model has been widely documented (Peck & Theodore, 2007: 734), Armour et al (2003: 531) argue that throughout Britain the norms of the liberal model are changing, made evident by a shift towards more long-term, stakeholder oriented strategies. Acknowledging such arguments, what follows will appreciate the fragmented composition of nationally framed capitalisms, as well as the susceptibility of institutional architectures to change. Doing so provides a textured and nuanced understanding of how the institutional and geographical structures of

variegations in capitalism shape and mediate the core constituents of financialisation at firm-level.

5.2 Financialisation and the variegated role of state

The role of the state has been underdeveloped throughout the financialisation literature; with the majority of accounts suggesting that the state has merely “reacted to irresistible trends” as opposed to being “active participants” in constituting and shaping the financialisation of national economies (Davis & Walsh, 2015: 1). Developments in the British and German pub and brewing markets exemplify how decisions made by the state contribute to the enactment of the processes of financialisation. Whilst the majority of accounts handle the ways by which financialisation alters the “behaviour and values” of government institutions (Christopherson *et al.*, 2013: 352), this section explains the active and participatory role of the state in crafting the conditions through which financialisation unfolds unevenly. This provides the foundations towards understanding the spatially and temporally variegated nature of financialisation upon recognising the inherent differentiation of states across geographical contexts.

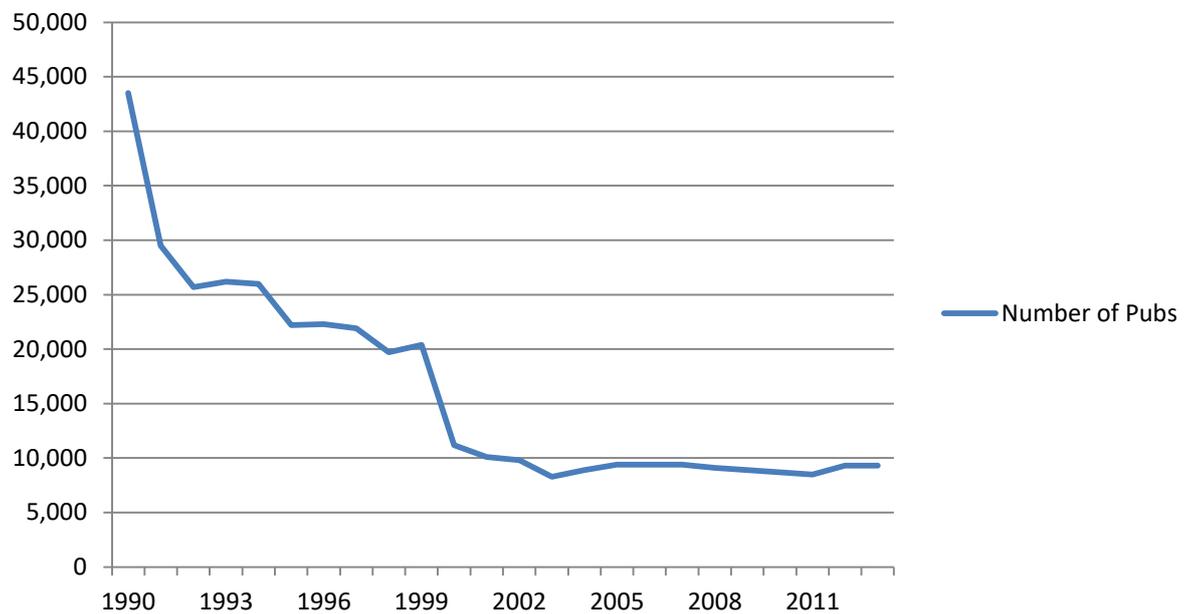
5.2.1 The long-term consequences of the Beer Orders and the emergence of the pubco

The Beer Orders were statutory instruments introduced in 1989 which forced Britain’s “Big Six” brewers (Bass, Allied, Courage, Whitbread, Scottish & Newcastle and Grand Metropolitan) to reduce the size of their pub estates to a maximum of 2,000 premises.

This particular instance of government action, described as “short of nationalisation arguably the largest state intervention in industry in recent British history” (TPMA 22nd April, 2013), exemplifies the active role of the state in terms of inducing the financialisation of particular markets and the broader political economy.

Prior to the Beer Orders the Big Six brewers produced over 75% of all beer in Britain and owned over half of the country’s pubs (Jones *et al.*, 2006: 332), something which the Monopolies and Mergers Commission (MMC) felt was adversely affecting the industry. The MMC argued that the Big Six were able to charge too much for beer through operating under a complex monopoly (Everrit & Bowler, 1996: 106); asserting that there were a multitude of “disadvantageous effects” associated with the vertically integrated tied system, where the dominance of the Big Six brewers “hindered the development of independent wholesalers [...] hindered the entry into the industry of new products” and rendered price competition “almost non-existent” (Spicer *et al.*, 2012: 7). Figure 5.1 illustrates the impact of the Beer Orders on brewers and the pace at which they disposed of their assets. It highlights the extent of perhaps the most “unprecedented” element of the Beer Orders, where the state enforced privately owned companies to “divest legally acquired assets in a situation where none enjoyed a scale monopoly” (Spicer *et al.*, 2012: xviii).

Figure 5.1 Effect of the Beer Orders on breweries and brewing-pubcos, 1990 - 2013



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

There proved to be a great disparity between the intended and actual outcomes of the Beer Orders. Government believed that the new regulations would create a European style free trade sector, where brewers that exceeded the limit on their estate would sell their pubs at a discounted rate to their tenants and continue to focus on brewing beer. Instead of “leading to a world of independent licensees free of beer-ties”, the legislation reoriented the strategy of brewers, which were primarily concerned with the far greater returns ascribed to pub retailing, and thus facilitated the emergence of the non-brewing pubco and another similar monopolistic scenario (Muir, 2009: 11).

“You had a lot of brewers going ‘hang on a minute, the value that we’ve got isn’t actually in brewing beer it’s in the pub estate’, so what you’ve got is

people like Sam Smith’s turning their entire estate to managed and you’ve got people like Greenhall’s who closed the brewery down and became a great retail estate who could go to any brewer and demand a price for their beer” (Director, Business Support Group, Author’s Interview, 2015).

Rather than only restructuring the composition of the market, the Beer Orders resulted in five of the Big Six brewers departing from the brewing and pub markets within a decade, resulting in a significant proportion of the national pub estate being acquired by emerging pubcos and falling “under the ownership and control of financial intermediaries” (Bower, 2015: 648). As the Big Six gradually withdrew from brewing and disposed of pubs to focus on more profitable endeavours, this not only demonstrates an element of financialisation present throughout their corporate rationales (Preece *et al.*, 1999) but also the relationship between state regulation and firm agency in terms of catalysing financialisation and generating uneven outcomes through pub churn and closures. Table 5.1 details the ownership transition phase following the Beer Orders.

Table 5.1 Pub ownership structure in Britain following the Beer Orders

<u>1989</u>		<u>2004</u>	
<u>Firm</u>	<u>Pubs</u>	<u>Firm</u>	<u>Pubs</u>
Bass	7190	Enterprise	9093
Allied	6678	Punch	7400
Whitbread	6483	Spirit	2470
Grand Metropolitan	6419	Mitchells & Butler	2077

Courage	5002	Greene King	1684
Scottish & Newcastle	2287	Wolverhampton & Dudley	1605
		Inspired	1066
		Wellington	835
		Avebury	750
<u>Total</u>	34,059	<u>Total</u>	28,099

Source: Adapted from Higgins et al (2015: 671)

Reinforcing this argument, the long-term experience of Whitbread demonstrates the complex relationship between ownership structures and institutional environments, and how this relationship ultimately underpins the operational activity of the firm. As Yip & Johnson (2007: 14/15) explain:

“In the late 1980s Whitbread was a successful UK brewing company with developing interests in restaurants and hotels. By 2004 Whitbread was no longer a brewing business at all: it brewed no beer and owned no pubs. It had moved into leisure businesses such as David Lloyd (health clubs), Costa Coffee (cafes), Marriot and the Swallow Group (hotels)”.

Following World War II, financiers grew evermore attracted to urban properties owned and operated by brewers such as Whitbread. However, the Whitbread Umbrella, an investment trust “which incorporated a dual voting structure and tight arrangement with a group of smaller regional and family brewers”, enabled the firm to adopt long-term strategic planning horizons and ensured that capital from international markets

was not necessarily required to fuel growth and prosperity (Bower, 2014: 12). Such corporate composition facilitated stable growth throughout the 20th century and it was only the disruptive impact of the Beer Orders which led to Whitbread's most drastic transformation.

Directly associated with the failure to predict how the Big Six brewers would respond to the Beer Orders, the MMC was incapable of realising how the legislation would pave the way for the pubcos and the consequences their emergence would serve to induce. In this sense, the Beer Orders were brought about "to solve one thing" but they "caused another problem [...] they created the pub companies" (Director, Chartered Surveyors Specialising in Pubs, Author's Interview, 2015). The emergence of the pubco has been accompanied by the "acceleration of mergers, concentration and rationalisation", all of which serve to appease financially oriented investors and undermine the long-term stability and sustainability of pub businesses and their tenants (Hollands & Chatterton, 2003: 370). The fact that Punch and Enterprise owned 59% of the entire British pub estate by 2004, a market share close to 20% greater "than when the two largest of the Big 6 controlled 40.7% at their peak", demonstrates how this form of intervention generated unintended consequences and did nothing to dismantle the monopolistic tendencies which have dominated the market (Higgins *et al.*, 2015: 675). In a similar vein, Steven *et al* (2002: 113) argue that the Beer Orders were "fundamentally flawed" through intending to rupture a complex monopoly "rooted in vertical integration" but inadvertently causing the emergence and development of an "oligopolistic/monopolistic presence" which has hindered the development of pubs to a much greater extent.

The Beer Orders therefore proved to be a pivotal moment in the evolution of the British pub market and created the conditions through which financialised ownership structures were able to emerge:

“If we hadn’t had the Beer Orders, we wouldn’t have seen the same fall-out in the same way, we wouldn’t have seen the spike in prices through the 90s and 00s and we wouldn’t have seen the same collapse in the same way as we’ve seen in the last 7 years, because they (breweries) would have played a longer term game, they would have looked after their tenants, they would have looked after their properties, standards might have been raised to a higher level” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Not only does this show how the Beer Orders simultaneously transformed the structure of the market and enabled the enactment of financialised practices, it also illustrates the role of the state in not only facilitating but directly causing this transformation:

“If you look at the industry over the past 30 years, from a broad perspective, without any sort of prejudice, it’s failed as a whole, whilst there have been pockets of great success, because it has not innovated and hasn’t moved ahead of where it was in the late 70s and early 80s. And that is largely on the whole because of an enormous, chronic lack of investment across the whole fabric of the pub estate and that has come about because the industry was hijacked in the early 90s by pub companies that were invented as a result of the Beer Orders, which people say was done to try and break the monopoly of the big brewers, in practice it actually perverted the course of the industry even more

than it was being perverted at the time” (Former Pubco Tenant & Campaigner, Author’s Interview, 2015).

A number of the present challenges of the market can therefore be traced back to the implementation of the Beer Orders which paved the way for the “full-scale financialisation” of the pub market (Bower, 2014: 10). Whilst this demonstrates how the state directly contributed to the financialisation of the pubs and brewing, commentators have however argued that the Beer Orders were merely a catalyst to what macro-economic forces would have inevitably generated:

“These big pub companies were being formed before the Beer Orders happened but I do think the Beer Orders hastened their existence because we were seeing, that was an era really, of vertical integration” (Journalist and Beer Writer, Author’s Interview, 2015).

In this sense, the Beer Orders merely ruptured a “flawed economic model” and accelerated the process of vertical disintegration which would have occurred through market forces (Journalist and Beer Writer, Author’s Interview, 2015). In addition, prior to the Beer Orders commentators were concerned with the behaviour of the dominant brewers and how they conceived the pubs they owned. During that period Hutt (1973: 58) argued that tenants were not “dealing with brewers” as they saw the pubs they owned as “profitable buildings”, describing these large corporations as “property tycoons”. In this sense, the “change imposed by competition policy corresponded to the era of more readily available finance and financial innovation”, but still proved pivotal in enabling the emergence of the pubco model (Bower, 2014: 14). Whilst still playing a significant role in the financialisation of the market, this argument suggests that a number of underlying corporate tendencies of financialisation were present

prior to government intervention and the state merely accelerated the inevitability of vertical disintegration and the emergence of financialised ownership structures.

Preceding arguments suggest that through formal intervention, the state was integral in not only transforming the long-term structure of the pub market but also creating an economic entity beholden to the logics of financialisation. No more than a decade after the Beer Orders, financialised ownership structures “acquired, restructured and came to dominate” the British pub market “with the approval of regulatory policy” (Bower, 2014: 2). Providing the “external shock” which initiated the process of vertical disintegration, the Beer Orders reveal the active role of the state in terms of inducing financialisation through causing a “power shift” within the pub market “from regulators to financial intermediaries” (Bower, 2015: 659). The Beer Orders disentangled the operational dependencies between pub and brewer through vertical disintegration, a transformation which fuelled the enactment of financialisation, and in turn encouraged pubcos to prioritise profit generation and financial machinations at the expense of the long-term viability and sustainability of pub businesses (Preece *et al.*, 1999: 13).

As the explicit aims of the Beer Orders were to make the brewing industry more competitive and rupture the dominance of the Big Six throughout the beer supply chain, the emergence of the pubco and subsequent financialisation of pubs and brewing must therefore be understood as an unintended consequence. As is explained with greater detail in Chapter 7, vertical disintegration enabled the permeation of financial motives and interests into the beer supply chain through the proliferation of non-brewing organisations, whilst simultaneously doing very little to fragment the oligopolistic nature of the industry and improve competition. The Beer Orders

catalysed the financialisation of the market through creating the conditions in which financialised ownership models and patterns of behaviour became both viable and profitable, and thus provides evidence of how the state not only creates the conditions for but “actively mobilises firms” to carry out financialisation (Lai & Daniels, 2015: 1). As the “practical consequences of financialisation lie at the heart of the Government’s recent decision to intervene” (Bower, 2015: 648), the case of the Beer Orders exemplifies the complexity of the relationship between the state and financialisation, where the state plays an active and engaged role in the financialisation of markets and the uneven outcomes its processes serve to induce.

5.2.2 The impact of the Reinheitsgebot on German drinking habits

The Reinheitsgebot is a German beer “Purity Law” which originated in Bavaria in 1516 and imposed the use of only water, barley and hops in the production of beer (Poelmans & Swinnen, 2011: 11). The primary purpose of the purity law resided with the desire to ensure the production and availability of affordable bread, as preventing brewers from using wheat and rye ensured less price competition for bakers. The Reinheitsgebot has had a sustained impact on the German beer market through inducing and maintaining an attention to local ingredients, authenticity and an artisan form of brewing. Even though its stipulations have been gradually diluted, the Reinheitsgebot remains as a powerful marketing tool, as German brewers continue to market their adherence to the law both domestically and internationally (Swinnen, 2011).

Following sections engage with the unique beer drinking culture of Germany and how it militates against the presence of financialised ownership structures and practices.

The Reinheitsgebot can be understood as influencing this culture as commentators argue that the purity law has embedded notions of history, tradition and authenticity throughout German brewing, all of which serve to influence and impede on the strategies and corporate philosophies adopted by brewers and pub operators. In addition to impacting corporations, there is widespread belief that the Reinheitsgebot has been integral in sustaining the “inherent conservatism of the average German beer drinker”, with commentators arguing that the power and cultural significance of the purity law has “brainwashed German beer drinkers into believing that German beer is the purest and best, and that anything else is full of chemicals and just tastes bad” (German Beer Blogger, Author’s Interview, 2015). By international standards the German beer market contains a relatively large amount of different beer styles and brands but it has been argued that significantly more would exist had it not been for the Reinheitsgebot and how it “served to stifle German creativity” (Crouch, 2008).

Certain traditions have therefore been evoked and maintained by the law, signifying how regulation has shaped the market and constructed a specific socio-economic landscape which mediates financialisation in particular ways. Fundamentally, the brewing market has been shaped by cultural norms reflecting a particular regulatory structure. The Reinheitsgebot must therefore be understood as an important factor in explaining how the beer industry has unfolded in Germany and how financialised practices, amongst other megatrends witnessed throughout global brewing economy, have had a reduced impact due to the unique nature, structure and cultural conditions of the market. It also demonstrates how interplay between nationally confined regulations and cultural norms forge geographically contingent socio-economic

landscapes, which in turn shape and mediate the processes of financialisation in contrasting ways.

Amin (2008: 53) argues that the proliferation of neoliberalism has coincided with the retrenchment and domestication of the state by “high finance” but preceding arguments challenge such a position through demonstrating the crucial and at times constitutive role the state plays in facilitating and engendering financialised conditions. As all markets have “some rules and boundaries” enforced by the state (Chang, 2011: 1), which are geographically particular and in turn mediate firm activity, the state must be understood as not only complicit in the unfolding of financialisation but also constituting its spatial variegation. Conceptualising financialisation as an “ever present tendency in corporate capitalism”, states have therefore not only shaped the development of financialisation but also been influenced by the resultant dominance of financial institutions, their rationales and imperatives (Kotz, 2011: 15).

Regardless of the typically “more expansive role of the state” in CMEs (Pistor, 2005: 44), this section has clearly demonstrated the integral role of the state in creating the conditions through which financialisation is enacted differently by actors and institutions. The Beer Orders and the Reinheitsgebot provide two contrasting examples in which the state has facilitated financialisation on the one hand and inhibited its enactment on the other. These differences amongst states shape the form and effects of financialisation in novel ways, further reinforcing their critical yet uneven role. Financialisation must therefore necessarily be conceived of as a “political-economic phenomenon” influenced by “changes in regulation that reflect particular situated perspectives on how firms should operate” (Faulconbridge & Muzio, 2009: 659). This conceptualisation promotes the state-firm nexus as integral towards the emergence

and mediation of financialisation, where the inherent differentiation of this nexus across nation-states provides further evidence of the causal and constitutive role of geography in the enactment of financialisation.

5.3 The differentiated role of the shareholder across variegations in capitalism

A core constituent of the financialisation of the firm is the uneven proliferation of shareholder value orientation, an ideology based on conceiving organisations as “bundle(s) of financial assets whose value is expressed solely through market prices at any one point in time”, which are manipulated to satisfy shareholders (Morgan, 2014: 184). Shareholder value ideology affirms the primacy of the shareholder as the core stakeholder of the firm and proposes that management must necessarily maximise market value, with share price ratified as the key parameter of corporate success (Lavoie, 2012).

The causal and constitutive role of geography in the enactment of financialisation can be explained through analysing differences in firm activity across a financially competitive market-driven form of capitalism, which hails the primacy of the shareholder, and a more coordinated form of capitalism, where “patient capital” ensures stable shareholder arrangements (Brenner *et al.*, 2010). Through supporting the notion that shareholder value is an “important constituent of financialisation” (Van Treeck, 2009: 908), this section argues that the uneven unfolding of shareholder value across distinctive variegations in capitalism constitutes the spatially and temporally variegated nature of the processes of financialisation.

5.3.1 Geographically constituted shareholder value orientation

“We aim to deliver the highest value for shareholders by optimising the returns from each of our assets”

(Enterprise Inns, 2015: 1)

For listed companies operating within LMEs the ideology of shareholder value increasingly shapes and informs their nature, governance structures and decision making processes (Aglietta and Reberioux 2005: 1). Depicted as the “very essence of financialisation”, strategies which focus on maximising shareholder value often reward shareholders at the expense of other stakeholders and the long-term viability of the firm (Epstein, 2015: 8; Froud *et al.*, 2006). The mobility of shareholders in relative to other stakeholders often means that they “care the least about the long-term future of the company” (Chang, 2011: 11) and therefore in order to achieve shareholder value, management must run the firm in a way which prioritises returns to shareholders in the short-term. Harmonising the interests of shareholders and managers is achieved through remunerating management with share schemes and incentivising performance around “value-based control systems”, both of which align with the logics of other core constituents of financialisation and typically result in greater shareholder prosperity “at the expense of human capital” (Harvey, 2002: 4).

As a non-uniform process informed by a broader ideology, the pursuit of shareholder value is shaped and mediated by the geographical and institutional structures of variegations in capitalism. Legal obligations concerning shareholders vary greatly at the national level and such differences determine the relative power of shareholders within the firm, and in turn, the form and extent to which the principles and practices of financialisation are enacted. As Collinson *et al* (2011: 14) suggest:

“The ‘rhetoric’ of shareholder value has both emerged from this historical context and contributed to its trajectory by defining the contours of contemporary Anglophone capitalism”.

The corporate culture of LMEs dictates that firms must necessarily maximise shareholder value and this has engendered a greater role for stock and financial markets in shaping firm strategy, as well as the conceptualisation of the firm as a bundle of financial assets, flows and networks. Throughout Britain the broader legislative framework is “strongly orientated towards the norm of shareholder primacy” (Armour *et al.*, 2003: 531). The shareholder therefore possesses a dominant position within the centralised political economy of Britain, signified by the notion that “shareholder primacy has traditionally been regarded as the core of Anglo-American corporate governance principles”, which concomitantly has been matched by the nature of corporate law (Collinson *et al.*, 2011: 19).

The authority of the shareholder has therefore in many cases led to the “re-engineering” of the firm (Marazzi, 2007: 11), where corporate activity is aligned to the norms of shareholder value ideology which prioritise short-term share price and dividend payments to shareholders. In this sense, financialisation has reconstituted the firm as an entity beholden to the demands of shareholders and the logics of

international finance. Pubcos have been described as pursuing shareholder value (Preece, 2008) through adopting strategies that appease short-term oriented, profit-driven shareholders at the expense of individual pub businesses and their long-term prospects. Like many other firms, pubcos emphasise their aim to “satisfy their shareholders” (Pratten, 2005 A: 346) but this often comes at the expense of other elements of the business:

“I think with any company, their agenda is to their shareholders and to returning a profit and I guess occasionally decisions are made that aren’t necessarily in the best interests of the individual pub” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Commentators argue that pursuing shareholder value has resulted in pubcos adopting strategies which aim to extract “as much money as possible from each of their outlets”, made evident through rising rent and supply costs in addition to the frequent sale of pub assets (Pratten, 2005 A: 346). Whilst the majority of pubcos have suspended dividend payments following the crisis, the presence of shareholders weakened the claim of pub businesses as the most important stakeholder and fuelled the acquisition phase which generated great returns to shareholders at the expense of thousands of pubs once financial difficulties ensued.

Whilst shareholders benefited greatly during the 90s and early 00s from a pubco model that increased share price through debt-fuelled expansion, tenants were found to be experiencing “declining fortunes” through “taking on disproportionate risk from the pubco” (Higgins *et al.*, 2015: 686), as strategies which provided shareholder value came at the expense of tenant training, investment and support. Providing shareholder value, whilst also being required to meet quarterly financial demands, meant that

decisions concerning pubs were therefore undertaken within a broader financial framework. These additional pressures therefore modified the management decision-making process, as closing pubs became dependent on “when to sell to tie into financial year ends” and investing in pubs on “whether they have cap ex budgets to be able to refurbish” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015). Pubcos in Britain are therefore responding to pressures exerted by shareholders and capital markets (Froud *et al.*, 2000: 103), in turn adopting disposal and rationalisation strategies which demonstrate the causal role of financialisation in terms of closures and the changing role of the pub.

Through prioritising the financially oriented demands of shareholders at the expense of the long-term viability of their pub businesses, made evident by firms such as Punch concerned with “maximising short-term returns” through trading underperforming assets that are “expected in time to generate more value through disposal than retention” (Punch Taverns Annual Report, 2013: 6), pubcos demonstrate how maximising shareholder value is inherently ascribed to “short-term, destructive orientation by management” (Epstein, 2015: 9). Pubcos therefore reflect the characterisation of the “financialised corporation” through providing shareholder value at the expense of investment strategies which would enhance the operational capabilities and long-term prospects of the firm (van der Zwan, 2014: 108). Throughout the British variegation of capitalism, where institutional norms endorse the primacy of shareholder, corporate strategies based upon shareholder value can therefore be understood as generating pub closures, where spatially blind disposal strategies have been initiated following the crisis to enhance market capitalisation and benefit the shareholder at the expense of individual pub businesses.

As approximately 80% of pubs in Germany are owned by private individuals and corporations, individual pub businesses are rarely exposed to corporatized ownership structures and shareholder value ideology (Managing Director, German Pub Retailer, Author's Interview, 2015). A small number of pubs are however owned by international brewing groups which, being aligned to financial markets and pursuing shareholder value, organise activities in a similar fashion to the pubco model emergent in Britain. Nationally contained differences in both formal and informal shareholder obligations do however mediate this particular process of financialisation.

The growing prevalence of takeovers based on partial shareholding agreements throughout the German brewing industry provides insight regarding the uneven role of shareholder value. The top four global brewers have been acquiring stakes in German firms as partial shareholding manoeuvres offer a "foot in the door in areas where a big bang market entry is not feasible due to market and ownership structures" (Gammelgaard & Dorrenbacher, 2009: 109). Whilst this demonstrates how German brewing groups could become more aligned to the norms of international finance through the permeation of foreign ownership, formal and informal requirements concerning corporate governance specific to Germany reduce the opportunity for the enactment and normalisation of financialisation throughout the market:

"Heineken own a 49.9% stake in Brau Holding International, which brew Paulaner in Munich, but they've realised that they cannot actually revolutionise the German market" (Editor, International Brewery Magazine, Author's Interview, 2015).

In this sense, the means by which German brewers and pub operators have remained isolated from the pressures of financialisation can be explained through understanding

both “the nature of their company’s structures” and broader institutional norms (Journalist and Beer Writer, Author’s Interview, 2015). Broader stakeholder approaches have ensured that German brewers have “in the main, pretty much resisted” external pressure to change, and therefore in terms of shareholder value maximising strategies and the permeation of financialised logics, “the complicated nature of German shareholding [...] militates against it happening the same way it happens here (Britain) or other parts of the world” (Journalist and Beer Writer, Author’s Interview, 2015). Evidence of this nature can be derived from German board meetings, and how the legally required presence of worker representations may negate short-term planning horizons, as well as how union representation may frustrate strategies solely aimed at providing shareholder value (Chang, 2011: 22).

The character, nature and format of shareholders within a firm therefore dictates the extent to which financialisation is enacted as part of corporate strategy, with the “weak effect” of shareholder value in Germany generating different material outcomes in terms of closures and the changing role of the pub (Stockhammer, 2012: 51). More broadly, this provides evidence of German firms and their modes of corporate governance being out of sync with the “standards demanded by global capital markets”, in turn spurning the normality of shareholder value and ensuring the geographically variegated nature of financialisation (Dixon, 2011: 202).

5.3.2 Financialisation and capital structure

Previous studies have identified the extent to which ownership structures inform the decisions made and priorities set by board members (Desender, 2009), therefore suggesting that the capital structure and composition of shareholder arrangements

can be used to explain the extent to which the principles of financialisation shape corporate strategy. The behaviour of management and the operating models through which pubcos and brewers base their strategy are greatly influenced by both the character and structure of shareholders within their organisations. Whilst “dispersed shareholders can more credibly commit than concentrated owners not to interfere in the running of firm” (Carlin & Mayer, 2003: 193), it is likely that these investors are more concerned with profiting from short-term returns. Capital structures are internationally variegated, with dispersed forms of ownership more prevalent throughout listed firms in market-driven economies, compared to a much greater proportion of controlled and concentrated ownership structures throughout coordinated market economies (Desender, 2009).

Adnams plc, a regional brewer which operates a tied estate of over 50 pubs, can be used to exemplify how the agency of firms and the inherent variegation of capital structures constitute the heterogeneity and unevenness of financialisation. What differentiates Adnams from financialised pubcos is their “different shareholder structure”, where corporate decisions are made under a “slightly different operating model from the big plc’s that are funded by pension funds and that sort of stuff” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015). In this sense, capital structures inform the broader operating model and in turn dictate the extent to which firm activity is based upon the imperatives and logics of financialisation:

“The makeup of the company is important. We are a plc but really we’re a family business, that’s how we see ourselves. We’ve got a couple of major shareholders and that is really important in sort of dictating the shape of the

company and the culture and so on” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

Conceptualising shareholder value as a proxy for financialisation, this statement exemplifies how a more nuanced understanding of the character, motives and composition of shareholders is required to properly account for the spatially and temporally variegated nature of financialisation. Further evidence suggests that the role of major shareholders serves to lessen the enactment of financialisation and shapes the extent to which Adnams is able to focus on sustainability, longer-term planning horizons and the provision of community support:

“I think it helps us in that it allows us to do it. You know I can’t speak for everybody here but I think if we were to be bought out by either a big brewer or a big pub company or a big pension company [...] I think the business would probably lose its soul. I think a lot of people would be very disenfranchised and leave, and that would disrupt the business quite badly and it would change the structure of the business significantly” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

This implies that concentrated forms of ownership are more resilient against the norms of financialisation and enable the business to pursue practices which do not solely revolve around responding to the principles and pressures of financialised competition. It supports the notion that dispersed ownership structures fuel financialisation, as minority shareholders are more likely to “prefer corporate strategies that maximise short-term profits, usually at the cost of long-term investments, and maximise the dividends from those profits” (Chang, 2011: 12).

In opposition to the financially motivated articulation of the shareholder present in swathes of the literature, as an actor solely concerned with capturing short-term returns and dividends, this example illuminates the complexity and variegation of financialisation through providing evidence of how particular types of shareholder, and the structures in which they exist, are able to mediate and even challenge the normalisation of financialised practices. Fundamentally, whilst the “maximisation of shareholder value as a main corporate target” acts as a core constituent of financialisation, this transformation is inherently heterogeneous, taking different forms and unfolding to varying extents across institutional contexts (Brown *et al.*, 2015: 6; Fine, 2007).

Geographically situated formal and informal institutions which regulate shareholders across variegations of capitalism therefore demonstrate how the core processes and constituents of financialisation are constituted, shaped and mediated by space and place. The normalisation of shareholder value as part of “mainstream every-day discourse” has resulted in a firm culture throughout LMEs where “stock prices are the focus and the measure of corporate health and success” (Ho, 2009: 153). The pubco example demonstrates how the adoption of such culture can impair elements of the business, witnessed when substantial returns distracted shareholders from the range of problems associated with over-acquisition and the accumulation of debt. In addition to internationally variegated shareholder norms, the case of Adnams illuminates sub-national variation and therefore the inaccuracy of oversimplified, reductionist arguments which articulate the shareholder as a monolithic category. Fundamentally, nationally framed differences in cultural norms and regulation shape the pursuit of shareholder value and demonstrate the integral role of space and place in the uneven

unfolding of financialisation, in this instance generating spatially variegated impacts in terms of closures and the changing role of the pub.

5.4 The socio-cultural and institutional mediation of financialisation

The aim of this section is to identify and explain the role of socio-cultural norms and structures in shaping and mediating the processes of financialisation at different geographical scales across both institutional contexts. This is achieved by comparing British and German brewing industries, with the “globally unique market structure” of Germany militating against the enactment of financialisation through existing as a more antagonistic environment for financialised business models and practices (Niederhut-Bollmann & Theuvsen, 2008: 67). Explaining the reproduction of deeply embedded cultural norms and their geographical fixity reinforces the spatially and temporally variegated nature of financialisation.

5.4.1 “We are one world there should be one beer”: the experience of international brewers in a highly fragmented, regional market

Three global transformations in the form of “growth, concentration and globalisation” have significantly transformed the structure, competitive environment and corporate landscape of the global brewing economy (Theuvsen *et al.*, 2010: 62). The oligopolistic nature of the global brewing market, where the top four brewers account for over 45% of market share (Statista, 2016), has induced fierce financial competition, resulting in firms being necessarily required to meet the demands of financial markets in order to

secure investment and reduce the threat of takeover. Through the provision of shareholder value, the initiation of debt, rationalisation strategies based upon financial efficiency and adhering to the norms and metrics of financial institutions, major international brewing groups embody the core constituents of financialisation at firm-level and can therefore be understood as financialised corporate entities.

The financialisation of international brewing has been accompanied by the adaptation of the previously segmented and localised beer market into a truly “global industry”, with firms intending to benefit from “cross-border standardisation” and the reconfiguration of supply chains (Gammelgaard & Dorrenbacher, 2013). International brewers have therefore been able to increase their dominance through the concentration of production which has resulted in the “oligopolistic structure” of global brewing (Smoluk-Sikorksa & Kalinowski, 2013: 65/66). The East Anglian brewer Greene King provides an example, albeit on a much smaller scale, of the type of strategy pursued by the internationally dominant financialised brewers:

“Greene King have been acting like Pac-man, routinely acquiring small regional brewers and then driving down costs by closing the brewery and transferring production of the acquired brands to their Bury St Edmunds brewing centre” (McCaskey, 2007: 5).

In addition to market concentration, it is argued that in order to create shareholder value and appease financial targets and metrics, brewers must “focus on value rather than volume”, where “efficiency is improved via excellence programs in all parts of the value chain” (Rasmussen & Hald, 2012: 59). Research has therefore accurately revealed the extent to which the “powerful forces” of financialisation are significantly reorienting the geographies of global brewing and altering the strategic preferences of

the top four and many other brewers (Pike & Pollard, 2010: 41; Pike, 2006). Analysing the experience of financialised international brewing groups across institutional contexts will develop this strand of research through demonstrating how variegations in capitalism shape and mediate the uneven unfolding of financialisation.

The unique history of German brewing, as well as a localised beer drinking culture, has established a highly fragmented, regional market which has proven to be antagonistic towards the practices and orthodoxy of international brewing groups. The German pub and brewing markets have a “very heterogeneous structure” with a small number of large international firms co-existing with a great number of smaller localised entities (Niederhut-Bollmann & Theuvsen, 2008: 66). Unlike the British and majority of other European markets, the experience of operators within Germany in recent decades has demonstrated how highly persistent localised brand loyalties have ensured the survival of countless local brewers and in turn made penetration by international brewers significantly challenging (Scherer *et al.*, 1975: 142). Having perhaps the richest brewing heritage in the world, the continued presence of a substantial number of small to medium-sized brewers has resulted in the emergence and persistence of an extensive number of regional beer styles.

“The reason why we have no national market to speak of is because we have had regional styles that have been able to maintain their popularity. In Munich we have the Munich larger, in Bavaria you have a very strong presence of wheat beer, then you have the Pils drinking regions to the West of Germany, in cities like Cologne and Düsseldorf you have the Alt and the Kölsch beer. So yes we have, traditionally speaking, different styles that were popular and I think

people still stick to them” (Editor, International Brewery Magazine, Author’s Interview, 2015).

Originating as a prime example of the *Mittelstand*, the market became further regionalised through “local restrictions and custom” constraining small to medium-sized brewers to producing and selling a particular beer style within a tight geographical region (Carroll *et al.*, 1993: 155). These styles have shaped consumer preferences and created unique market conditions in which variety and choice are demanded to a much greater degree than any other mature beer market. The proliferation of these styles over the centuries, and the brands attached to them, essentially suggest that “Germany is different to other nations” (PR Officer, German Brewers Association, Author’s Interview, 2015).

Such a broad range of beer styles, and the fact that a great number of these styles are regionally embedded, creates challenges for brewers and pub operators. For brewers, it means that strategies involving just one or two beer styles are unlikely to succeed at the national scale. In reference to Heineken, commentators argue that they are “too big” to be profitable and succeed in the German market as:

“They are international, and their beer is like Coca Cola, it has to work in each country and each culture. So you cannot, and it would not, be economic if Heineken made five or more beer styles, so the success is brewing one beer and its tastes the same for the whole world” (Public Relations Manager, Association for Brewers of Baden-Württemberg, Author’s Interview, 2015).

The fact that the German beer drinker demands authenticity, variety of style and a regionally embedded product, militates against the financialised strategies of the

majority of larger international brewing groups that are based upon marketing a standardised product which affords economies of scale when acquiring and rationalising smaller brewers. The challenge of the German market can therefore be understood upon recognising the “overall problem” inhibiting firms such as Heineken surrounds a contradiction between being able to be financially efficient and provide shareholder value, whilst simultaneously developing a “large and unfocused product portfolio” (Rasmussen & Hald, 2012: 90). The philosophy exhibited by Heineken exemplifies the conflict many international brewers face when operating within the German market.

“Heineken has always kind of been saying that ‘we are one world there should be one beer’, because they have been very much kind of looking with longing eyes towards Atlanta and our colleagues from Coca Cola, who have managed to make that beverage into a global phenomenon” (Director, European Brewing Organisation, Author’s Interview, 2015).

The notion that the global beer market would consist of “lots and lots of breweries making Heineken” has been labelled as “an old fashioned, outdated way of thinking”, where the desire to standardise and homogenise the German beer market is aligned to the form of market-discipline ascribed to financialisation but ultimately challenged by the unavoidable fact that “people want choice” (Director, European Brewing Organisation, Author’s Interview, 2015).

It must however be stressed that rather than a natural outcome of financialisation, the standardisation and homogenisation of beer products is more closely aligned to broader processes of globalisation and marketisation. Global brewing strategies based on standardised beer products do however enable international brewers to act within

accordance of the logics and rationales of financialisation, with marketisation acting as a precursor to firm-level financialisation and providing the foundations and incentives through which its core constituents are enacted to appease financial machinations. This reinforces previous arguments that, whilst albeit not always the case, financialisation is concomitant to marketisation (Lazonick, 2017). In this instance globalisation and marketisation have therefore provided the conditions, namely saturated and oligopolistic domestic markets structures, through which financialised practices become the most viable means of generating returns for shareholders and potential investors.

Whilst brewers have successfully concentrated and standardised other mature beer markets throughout Europe and the world, the particular institutional and geographical structures of the German variegation of capitalism inhibit any similar transformation.

“In Germany they are fiercely regional and the international companies have struggled when they’ve tried to go in there [...] Fosters famously about 25 years ago tried to buy up the German brewing industry, thinking they could sort of Fosterize it, and that market just resists it, it doesn’t do it, not interested” (Journalist and Beer Writer, Author’s Interview, 2015).

Another example resides with Carlsberg and their failings in the German market upon completing the acquisition of the domestic brewer, Holsten. Alongside the brewery came the acquisition of a portfolio of relationships with on-trade premises and Carlsberg adopted a strategy based on substituting Holsten brands with Carlsberg brands. This strategy proved unsuccessful because, even though the two brands are

similar type standard lagers, German consumers were reluctant to change their drinking habits:

“Germans really don’t like so much Tuborg or Carlsberg brands, they like to stick with the German brands and so Carlsberg lost all their money and had to leave Germany just on one stupid decision” (Managing Director, National German Brewery, Author’s Interview, 2015).

Insight gained from Dortmund reinforces this argument and demonstrates the critical role of the locally oriented beer drinking culture for pubs:

“The Carlsberg pub here is bankrupt [...] why should I drink a Carlsberg in Dortmund when I have a variety of six different beers that I can buy from the local market [...] they’ve tried it now six times with different owners, but they can’t manage it [...] the local beer drinker is your client and why should they drink a different beer than their local” (Manager, Dortmund City-Centre Pub, Author’s Interview, 2015).

This strategy by Carlsberg therefore proved to be relatively unsuccessful. Having likely been successful in most other mature beer markets, which embody different drinking cultures, it reinforces how “Germany is a different story” for international brewers and their strategies aimed at market concentration (Managing Director, National German Brewery, Author’s Interview, 2015). This phenomenon can be partly explained by the Reinheitsgebot and its influence in regard to the assumed “creation of high-quality beer, something Germans prefer even today”, further reinforcing the fact that “international players have not been able to make a dent in the German market and have had to acquire local brands to gain entry” (Fazel *et al.*, 2013).

The importance of the local and regional scale is also embedded within the majority of domestic German brewers, an example being the Radeberger Group, which describe themselves as the “guardian of German beer culture” and emphasise their commitment to “regionality” and ensuring the diversity of the German beer drinking pallet (Radeberger Group, 2016). Embracing the region does not however come without operational challenges. Whilst being relatively successful in cities such as Berlin and Munich, a number of national brewers have struggled in cities such as Cologne and Düsseldorf where strong affiliations to local tastes dominate. It further demonstrates how the German market is unsuited to those brewers which have acceded to the global brewing trends of product standardisation and rationalisation, in part fuelled by financialisation.

“We are not that successful in Bavaria because they like Weiss beer and it’s much more successful than pilsner. In the North it’s also very difficult because they prefer herbal beer” (PR Officer, German Brewing Group, Author’s Interview, 2015).

Pub operators must also act sensitively to the regionality of the market. The deeply entrenched localised drinking culture means that a significant proportion of on-trade premises “don’t make regular exclusive contracts (with national brewers) because they always want to have a local beer” (Key Account Manager, National German Brewery, Author’s Interview, 2015). As a result, local operators potentially miss out on the benefits of having an exclusive contract and long-term partnership with a bigger brewer, and at the same time, the brewer is unable to gain significant market share in the on-trade.

The operational logic based on the belief that “because you’re part of the region, have a regular beer there”, has thus resulted in establishing a particular market environment that does not suit the “one beer for all” strategies of many of the international brewers (Key Account Manager, National German Brewery, Author’s Interview, 2015). This notion is reinforced by the particular strategy adopted by one of the only pub retailers in the country:

“When we are in Munich we might have Becks beer, which is a nationwide beer but we would also have a Munich option, a local beer, we always would have a local option. So we wouldn’t go into an area, except if you go to Frankfurt or Berlin, there you could get away with only selling national beers, but especially when you go into some specific areas like Munich, you have to have a local beer as well” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

As part of North-Rhine Westphalia and located within close proximity to Cologne and Düsseldorf, localised drinking cultures at the city level shape and mediate the behaviours of pubs owners and brewers operating throughout Dortmund. The distinctiveness and success of both Kölsch beer in Cologne and Altbier in Düsseldorf have created a culture throughout Dortmund which demands local beer and demonstrates a firm degree of antipathy to their regional counterparts.

“The people want to drink local beer [...] if I were to start selling Kölsch, it wouldn’t work here in Dortmund” (Owner, Dortmund Cocktail Bar, Author’s Interview, 2015).

A rejection of Kölsch and other regional beers therefore suggests a further spatial dimension to the German beer-drinking culture and demonstrates its scalar geographical incongruities. Whilst a broad national beer-drinking culture shapes the enactment of financialisation, the case of Dortmund exemplifies how this process is inherently geographically variegated and generates different outcomes across local and regional scales. This shows the sub-national heterogeneity of the geographical and institutional structures of variegations in capitalism which mediate financialised practices.

Fundamentally, the deeply entrenched regionality and ultra-competitive nature of the market has eroded the profit making potential and constructed an environment in which international brewers are unable to be as financially efficient as they are in other countries.

“The problem is that the EBITDA rate here for beer companies is very low. So the average EBITDA is about 2-6 percent, which is really nothing in comparison to international business and those international brewers are more focused on emerging markets and more attractive markets [...] Germany is a weak beer market and absolutely not a beer market where you can earn big money”
(Managing Director, National German Brewery, Author’s Interview, 2015).

Financialised international brewers, which seek to appease shareholders and the expectations of financial institutions, are deterred from a market which inhibits the same standard of financial performance that can be achieved throughout the majority of mature beer markets. Described as being the “least attractive” market type for brewers, Germany’s unconsolidated market structure is characterised by low growth, relatively low margins and “too many brewers all seeking scale”; thus proving to be an

inherently antagonistic landscape for financialised practices based on short-term profit maximisation (Ebneht, 2006: 123). The regionality and “special charm” of the German market (Director, North-Rhine Westphalia Brewers Association, Author’s Interview, 2015) therefore militates against the core constituents of financialisation at the firm-level and the diffusion of the orthodox international brewing group model based on product standardisation, shareholder value and financial efficiency, ensuring that the German family brewer remains a “veritable cultural patrimony” (New York Times 7th September, 2007).

5.4.2 British neo-localism and the German Heimat: the role of geographically particular cultures in mediating the processes of financialisation

The role of culture has been relatively underdeveloped throughout research concerning variegated capitalism and the geographies of the financialisation of the firm. Whilst a number of studies have demonstrated how the distinct character of variegations of capitalism are constituted by the unique milieu of institutional, political and economic “cultures” (Annesley *et al.*, 2004; Peck & Theodore, 2007; Gamble, 2004), very little research has been undertaken to reveal the specific nature of such cultures, their relationships with the broader institutional logics of political economies and how they shape and mediate the processes of financialisation.

Whilst commentators assert that financialisation “affects all aspects of the economy, society and culture” (Dholaki, 2012: 8), research has been scarce in regard to explaining the specificities and nuances of this process, with even less attention devoted to exploring the means by which geographically particular cultures constitute the inherent variegation of financialisation. Culture plays a critical role in sustaining the

regionally fragmented structure of the German beer market, and in an attempt to articulate a more “textured and balanced” understanding of financialisation, this section argues that the unique nature of the German beer drinking culture can be conceptualised as a “counterforce” which militates against the enactment of financialised practices (Christophers, 2015 B: 198).

5.4.2.1 German Heimat and local drinking habits

Whilst the importance of brewing heritage and beer styles have been explained in preceding arguments, the regionality of the market is sustained by broader processes surrounding cultural norms and self-identification, with local drinking cultures being “about image, about people connecting themselves with special brands from their region” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015). Beer is one the most valued cultural artefacts of German nationalism, forming part of and reflecting the fragmented nature of German culture for centuries. Within a fragmented cultural environment, where individuals may feel undermined by the homogenisation of globalisation, the consumption of beer has been mobilised as an effective means of demonstrating a particular identity intimately associated with the region from which they originate.

Beer is therefore inherently associated with the culture of a region and part of a “question of belief to say, ‘okay I do not drink beer from over there because I don’t like these people or because I want to support my own brewery’” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015). The normalisation of this practise has resulted in a culture where:

“People are used to drinking local beers, they are happy with their brewer, with their brew and the brewery in their town, in their village, in their community. They know the brewer, they know the ingredients and they don’t want to try beers from elsewhere, from other countries” (PR Officer, German Brewers Association, Author’s Interview, 2015).

This suggests a strong cultural resilience surrounding “drinking local” and demonstrates how, for the German people, consuming beer cannot be understood in the same way as the consumption of other everyday products. In this sense, “regional market means regional identification”, where consumers consciously decide that:

“‘I buy my beer from my region because I feel settled here and I know the brewery owner, the braumesiter, and so I feel connected with him and his beer’, so this is special, this is regional” (Public Relations Manager, Association for Brewers of Baden-Württemberg, Author’s Interview, 2015).

This particular cultural phenomenon unique to Germany constitutes the regionality of the market and militates against the implementation of particular strategies emanating from financialised business models. The historic resilience of localised tastes, the importance of beer as part of the self-identification process and the emergence of more niche and craft brewers means that “if you want to have real success, not holding the line, real success, this means you have to understand regional markets not just the national market here in Germany”, as “there is a difference if you produce beer for Baden Württemberg, or for Bavaria, or for North-Rhine Westphalia” (Public Relations Manager, Association for Brewers of Baden-Württemberg, Author’s Interview, 2015). Orthodox brewing strategies which aim to homogenise a market and limit the number of successful brands are therefore unviable as “basically you cannot

produce one beer for Germany” (Public Relations Manager, Association for Brewers of Baden-Württemberg, Author’s Interview, 2015).

Not exclusive to consumers, the tradition of small-to-medium sized brewers producing beer for their localities has also established a particular firm culture which has served to resist waves of consolidation witnessed throughout other mature beer markets. This particular cultural configuration has preserved the localised character of the market and provided a foundation through which the resilience of local drinking has been sustained.

“Consolidation in the US beer industry happened really quickly, and in the 70s and 80s people just exited when they thought ‘okay, ABInBev and Miller are getting too big for us, okay, we offer ourselves off and hope someone will buy us up’. It’s a different attitude in Germany” (Editor, International Brewery Magazine, Author’s Interview, 2015).

The deeply embedded German Heimat can be used to broadly explain the local drinking cultural configuration. With no equivalent in the English language, Heimat can be understood as a German cultural phenomenon embodying connotations of “‘origin’, ‘birth place, of oneself and one’s ancestors’ and even of ‘original area of settlement and homeland’” (Ludewig, 2007). As a “nation of provincials”, Heimat reflects the fragmented and decentralised structure of German culture (Applegate, 1990). The infusion of place and the perception of home have “become ever more closely aligned with the semantics of Heimat” due to the presence of perceived threats, typically portrayed by the media, surrounding terrorism, environmental instability and globalisation (Ludewig, 2007). The traditional notion of Heimat is thus “generally well received” and has gained importance through the conception of home

as a “threatened space”, resulting in a greater appreciation of locally and historically constituted cultural practices throughout Germany (*Ibid*).

Heimat can be deployed as a means of not only understanding the relationship between Germans and their drinking practices but also how geographically particular cultural conditions shape and mediate the processes of financialisation. Arguing that it “explains quite a lot about the German beer market”, commentators believe that Heimat plays a crucial role in sustaining the regionality of the market and militating against financialised ownership structures:

“You can’t for example, even if you are a big brewer, you can’t just say ‘okay lets close down three breweries and brew the beer at another brewery and still sell them in the region where they originated from’. This doesn’t work because the consumers they will know this and they will say ‘okay this is not a regional brand anymore and I’m not going to support that so I’m going to switch to another competitor’” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015).

Through inducing particular patterns of consumer behaviour, Heimat therefore nullifies forms of financially oriented competition and ensures a degree of local authenticity and originality surrounding the production and consumption of beer. The way by which German individuals purchase, consume and understand beer undeniably reflects the “key oppositions in the discourse of Heimat” which include “country against city, province against metropolis, tradition against modernity, nature against artificiality” and “fixed, familiar, rooted identity against cosmopolitanism, hybridity, alien otherness” (Boa & Palfreyman, 2000: 2). Consumption practices exhibited by German beer drinkers, whether conscious or unconscious, bear a significant

resemblance to these oppositions and arguably embody the very character and nature of what the discourse of Heimat communicates. Heimat can therefore be understood as the “feeling of being at home”, and for Germany, that means “beer needs the regional brewers” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015).

Understanding the social reproduction of these cultural practices over centuries serves to reinforce the geographically constituted and spatially variegated nature of financialisation. These particular cultural configurations have revolved around the normalisation of German people being “used to drinking local beers” and place is inextricably associated with such long-term processes of normalisation, as it is the particular beer practices “in their village, in their community” which they value (PR Officer, German Brewers Association, Author’s Interview, 2015). The development of this phenomenon has installed a conscious consumer base which does not blindly adhere to these norms but rather seeks to actively engage with and preserve the regional diversity of the market. The introduction of international brewers has done very little to rupture this process as “today, regionality is more and more demanded by the market which helps small to medium sized brewers as well as local breweries to compete on the market” (Director, North-Rhine Westphalia Brewers Association, Author’s Interview, 2015). The causal and constitutive role of geography can therefore be explained through understanding the role of geographically particular cultures which shape, inform and mediate the practices and behaviour of individuals, corporations and institutions which enact the core constituents of financialisation.

This argument ultimately implies that unlike other regularly consumed products, for the German consumer, beer “is more than only a drink, beer is more about behaviour”

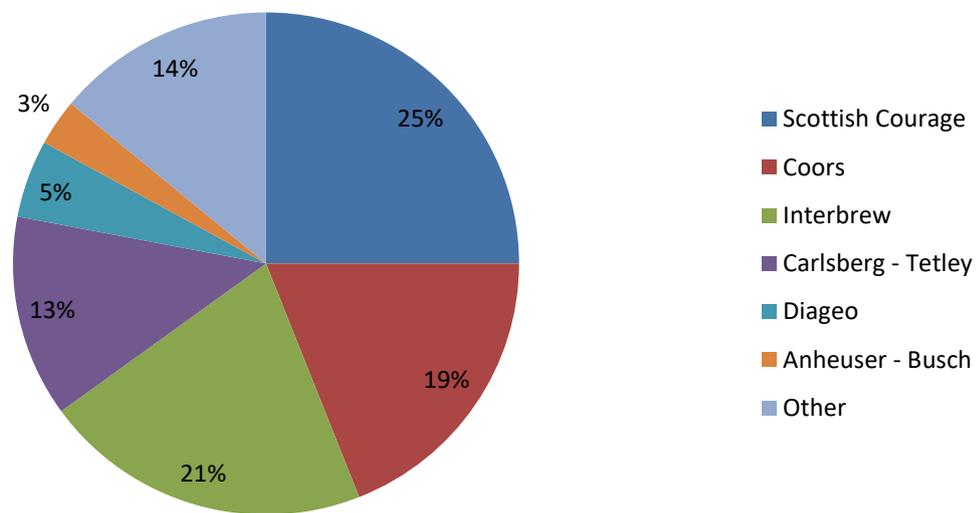
and is part of a broader identification process (Director, North-Rhine Westphalia Brewers Association, Author's Interview, 2015). The preceding arguments have shown how banal drinking practices associated with the German belief that "you should always drink in sight of the brewery chimney" have discouraged financialised business models through antagonising the particular corporate strategies which pursue financial efficiency and embody the core constituents of financialisation at firm-level (Journalist and Beer Writer, Author's Interview, 2015). Sablowski (2008: 136) argues that studies on German capitalism "limit themselves to descriptions of the changes and continuities in German capitalism and often give no clear account of the driving forces of this change and continuity". This section has not only explained how the continuity of resilience exhibited by dynamics of the brewing market are deterring international firms and associated pressures to change, but also identified a key driving force in the form of localised culture and the regionally diverse forms it takes.

5.4.2.2 Britain, neo-localism and the brewery renaissance

The scenario in Britain is very different, with commentators arguing that market forces following the Beer Orders have established an uneven landscape, where the dominance of larger brewers is seen as a serious threat to certain styles and tastes that are being increasingly marginalised (Hollands & Chatterton, 2002: 300). Prior to the Beer Orders the "Big Six" had a combined share in the beer market of 75% (Spicer *et al.*, 2012: 238). At present, very little has changed, with the top six brewers accounting for 76% of market share (The Guardian 17th October, 2015). Commentators assert that this market structure is a result of government intervention, arguing that the Beer Orders "effectively decapitated the British brewing industry" through encouraging

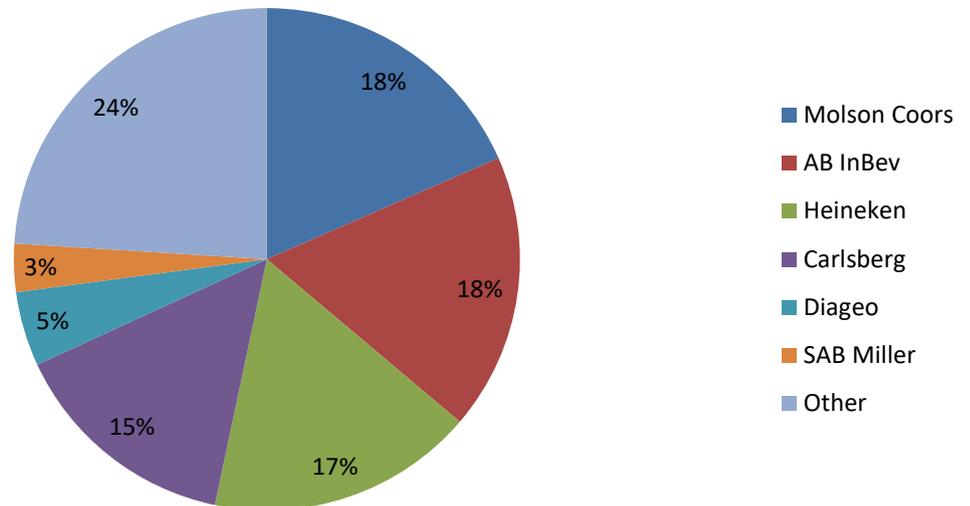
foreign ownership of the Big Six and accelerating the consolidation process (TPMA 22nd April, 2013). Figures 5.2 and 5.3 show the evolution the British brewing market and how it contrasts greatly with the “fragmented environment” of Germany, where no single brewer possesses a double-digit market share (Euromonitor International, 2014).

Figure 5.2 British brewing market structure, 2003



Source: Parliament (2004)

Figure 5.3 British brewing market structure, 2015



Source: *The Guardian*, 17th October (2015)

Throughout mature economies the post-crisis environment is imbued with a sense of how the “costs of global economic integration are propelling a concern for economic resilience and local diversity”, ultimately fostering a tension between the uneasiness of difference and the comfort found in the familiarity of local (Wells, 2015: 13). In part fuelled by such sentiment, neo-localism has arisen as a response to the homogeneity of globalisation, where emphasis throughout the economy and society is placed on promoting and safeguarding local cultures (Flack, 1997).

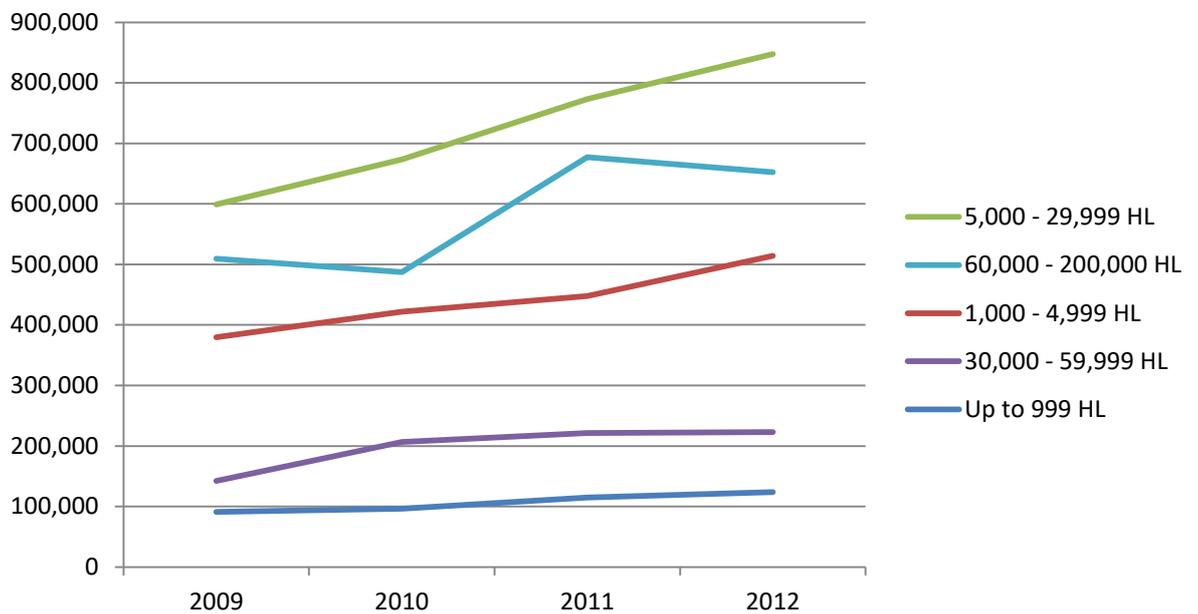
Neo-localism has played a significant role in the emergence and growing success of microbrewers throughout Britain. Often drawing comparisons with craft brewers, which are analysed in later chapters, microbrewers can be understood as small, independently owned brewing organisations which typically serve local markets with high-quality products. Microbrewers tend to be “self-consciously local” with their

marketing strategies and products both heavily imbued with a sense of local history and character (Schnell & Reese, 2003: 45). This approach serves to create loyal customers who perceive the purchase and consumption of such products as an expression of their identity and a celebration of their local culture.

Described as being a “geographic manifestation of anti-globalisation sentiment”, the micro-brewery movement appears to exhibit a “pervasive antimodern streak” which derives from the “wariness and mistrust of globalisation and corporate plutocracy” (Schnell & Reese, 2003: 66). Even though the majority of these localised firms are “too small to compete successfully with more cost-efficient international brewing groups and national market leaders” (Niederhut-Bollmann & Theuvsen, 2008: 66), Britain is witnessing a conflict between the dominance of a small number of international brewing groups and an upsurge in the emergence of much smaller localised brewers.

The growing sense of localism is exemplified by the fact that 80% of all beer produced by members of the Society of Independent Brewers (SIBA) is distributed within 40 miles of the brewing site (SIBA, 2015: 3), with the state playing a pivotal role in the revival of these smaller, independent brewers throughout Britain.

Figure 5.4 Total hectolitres brewed by SIBA members during, 2009 – 2012



Source: SIBA Beer Report (2014: 7)

Figure 5.4 highlights the relative strength of smaller brewers in recent years. Progressive beer duty introduced in 2002 ensured that companies brewing less than 3m litres of beer per annum received substantial tax incentives. The state has therefore given “smaller providers a financial leg-up against the commercial giants”, and the intervention has been heralded as a success story through enabling “small independent brewers to thrive” (The Guardian 8th November, 2015). This shows the changing and at time contradictory role of the state, as the Beer Orders engendered the financialisation of pubs but a more progressive tax system is, albeit slightly, challenging and disrupting the financialised hegemony of British brewing. The orthodox VoC approach is based upon a homogenised understanding of national institutions, where the state acts in a uniform and predictable manner across different

industries and regions (Schroder & Voelzkow, 2014). Examples of government intervention in the pub and brewing markets serve to therefore problematise this assumption, made evident by the relatively heterogeneous approach towards pubs and brewing on behalf of the state and the implications these approaches induced in terms of the uneven unfolding of financialisation.

Newcastle has experienced a resurgence in localised beer and pub practices. While pubcos have retained assets and remained relatively resilient in the city-centre, there has been a re-emergence of real-ale and craft pubs owned by local operators throughout suburban and residential areas of the city. This matches growing consumer dissatisfaction with generic themed and standardised pubco-owned premises and is made evident by the success of local pubco, Sir John Fitzgerald, a Newcastle-based operator which recently claimed the 2016 Living North Business of the Year Award (Living North, 2016) and has been described as a “North East institution” (The Chronicle 21st October, 2015). This success is based on thriving pubs such as *The Chillingham*, *The Bacchus* and the *Crown Posada*, which deviate from the larger pubco-owned premises through providing local beer from microbreweries and food ingredients from local producers. This has resulted in positive outcomes for smaller local breweries:

“Microbreweries are doing well because all of a sudden they can go to individuals and sell their product [...] you can walk through the door, ask to speak to Mr Jones and Mrs Jones who own the pub, whereas in the past you would have to deal with buyers in these bigger estates” (Director, Business Support Group, Author’s Interview, 2015).

Not only does this demonstrate localised implications emanating from the financialisation of pubs, it also reinforces the role of local cultures and practices in shaping and mediating firm activity, where financialisation is both heterogeneously enacted and resisted at sub-national levels.

Seen as much more than an opportunistic reaction to a niche in the market for new products, the microbrewery upsurge has been conceptualised as a cultural response to the “smother homogeneity of popular, national culture” and symptomatic of the eagerness of individuals to “re-establish connections with local communities, settings and economies” (Schnell & Reese, 2003: 46). This “brewing revolution” threatens to undermine the practices of the dominant financialised firms through a growing culture of savvier consumers demanding greater choice and authenticity (FT 15th October, 2013). Whilst neo-localism is disrupting the dominance of the larger brewing groups, the culture of drinking local does not exist to the same extent as witnessed in Germany.

The broader political-economic conditions of Britain have encouraged larger brewing groups to purchase the successful independent brewers and this serves to disrupt the values on which the localism movement is based. The absorption of independent brewers into the orthodoxy of mainstream brewing thus signifies a faux-localism, as the local and authentic nature of these companies is merely superficial when recognising their position as part of a much larger firm and enrolment into the financialised global brewing economy. The proliferation of microbreweries can therefore be understood as “response to changing tastes and a growing beer connoisseur subculture” which simultaneously satisfies a pervasive “neolocal craving”

(Flack, 1997: 37), but has done relatively little to disrupt the financialisation of British pubs and brewing.

Socio-cultural accounts of financialisation tend to articulate a top-down, one-way relationship between financialised governments, firms and institutions and the vulnerable individuals their practices serve to subjugate. Rather than an irrepressible force that inevitably imposes a financial logic on our daily lives (Beverungen *et al.*, 2013), preceding arguments demonstrate the complexity of the financialisation of everyday lives, particularly in terms of how its rationales are contested, and how socio-cultural accounts must consider the role of geographically particular cultures in shaping and mediating its inherently variegated processes and principles.

The unique nature of the German beer drinking culture provides evidence of a highly nuanced, deeply culturally embedded and thus, geographically constituted means by which individuals can indirectly impede upon and challenge the processes and normalisation of financialisation. Historically reproduced cultural practices surrounding how German beer drinking preferences are “local in nature” (Adams, 2006: 193) ensure that the national beer and pub markets remain heterogeneous and therefore antagonistic towards financialised business models and practices. As the differences in British and German beer cultures have proven, the means by which individuals and their cultural norms shape and mediate the processes of financialisation are inevitably nuanced and geographically particular, a notion which serves to demonstrate the interdependency between culture, geography and financialisation.

5.5 Conclusion: the mediation of financialisation by the geographical and institutional structures of variegations in capitalism

This chapter has demonstrated the geographically constituted nature of financialisation through explaining how its core constituents, pressures, forms and processes are cast differently depending on the “historical and institutional contexts in which it manifests itself” (Ozveren *et al.*, 2012: 31). It has provided evidence of how the identifiable logics and institutional architectures of particular variegations of capitalism channel and mediate the processes of financialisation, resulting in highly distinctive outcomes based on the socially, historically and culturally constituted particularities of each socio-economic environment (Hay, 2000: 5). Rather than national homogeneity, findings clearly demonstrate how financialisation is enacted unevenly at the sub-national scale, suggesting a degree of heterogeneity within a broader national framework.

Framing this chapter around the VoC approach has generated a greater degree of spatial and institutional sensitivity through which the invariable qualities of financialisation articulated throughout geographically anaemic research have been challenged and problematised. Integrating the concepts of financialisation and VoC has also ruptured the notion that markets and the state are “dichotomous entities”, as this chapter has demonstrated how financialisation unfolds within markets that are “created and organised by the state with a myriad of, often competing, institutions” (Bayliss *et al.*, 2016: 4). In this sense, the variegation of capitalism ensures that financialisation remains as a set of processes that are “non-uniform across countries” (Brown *et al.*, 2015: 11). Not solely concerned with the state-firm nexus, it has also

clearly identified and explained the socio-cultural and institutional mediation of financialisation, strengthening the case for further analysis concerning counterforces and the “limits to financialisation they impose” (Christophers, 2015 B: 198).

This chapter has demonstrated the presence of national variegations in capitalism which exhibit distinctive institutional and geographical structures, particularly through differences in state policy, brewing cultures and consumption, which can be used to explain the differentiated landscape for the constitution and expression of the financialisation processes. A range of geographically particular factors exist throughout the British and German variegations of capitalism which both facilitate and act as barriers to financialisation. States, in addition to historically reproduced cultural norms and socio-institutional structures, inevitably shape the processes of financialisation but are geographically diffuse at national and local levels, uneven in nature and variegated in terms of intent. This chapter has therefore reinforced the argument that states produce regulatory “geographies or landscapes” which mediate financialisation, amongst other processes, through distinctive architectures of “rules, principles and laws” (Martin & Pollard, 2017: 13).

The inherent variegation of financialisation is thus better understood through analysis which appreciates the “uneven and recombinant” nature of capitalism, rather than adhering to fixed and singular models (Lai & Daniels, 2015: 9). The principal argument is therefore that a finely grained understanding of financialisation emanates from identifying and explaining the role and “differences in economic and social structures between nations” (Brown *et al.*, 2015: 2) which fosters the inherent variegation of financialisation, as well as the casual and constitutive role of geography in the enactment of its processes.

Chapter 6: Financialisation, business models and ownership structures

“Pubcos by and large starve, denude and destroy the British pub”

(Former Pubco Tenant & Campaigner, Author’s Interview, 2015)

The purpose of this chapter is to analyse the relationships between financialisation and pub closures. It is argued that space, place and the agency of pubcos and brewers constitutes the inherent variegation of financialisation through inducing contrasting corporate strategies, behaviours and norms. Taking insight from the VoC approach, this chapter “takes the relationship between firms and their institutional environment as an analytical point of departure” (Ebner, 2016: 3) and aims to address those calls concerning the “need to rethink the contours of financialisation as it pertains to the activities of non-financial corporations” (Fiebiger, 2016: 354). Rather than “speculatively linking up incidents in how business is done today”, this chapter provides a “proper analysis of how modern finance and capitalism function” through identifying and explaining the key financial practices, constituents and relations which change across space and time (Michell & Toporowski, 2014: 80).

Consisting of four main sections, this chapter begins by categorising different forms of pub ownership. It then focuses on the role of securitisation as a financing technique and constituent of financialisation that has shaped corporate strategies and in turn transformed the geography of pubs in Britain. The third section analyses the legacy of

securitisation in the form of debt and how indebtedness has shaped pubco strategies, generated closures and fundamentally reoriented the conceptualisation of pubs. The fourth section of the chapter addresses the core constituent of short-termism and how financialisation has induced short-term planning horizons throughout the British context whilst having a limited impact in a similar fashion throughout Germany.

Commentators argue that the pubco business model emergent in Britain is “putting otherwise successful pubs out of business through excessively high rent and beer prices” (Muir, 2012: 19) and following arguments suggest that the principles and logics of financialisation at firm-level constitute this growing trend. This chapter therefore serves to demonstrate how the initiation of securitisation strategies, the accumulation of debt and the pursuit of short-term planning horizons reflects the financialisation of ownership structures and provides a means of understanding and explaining geographically uneven pub closures throughout Britain, whilst having limited impact throughout Germany. In this sense, financialisation is used as a means of identifying and explaining the undisclosed activities, practices and aspects of corporate strategy which are changing the role of the pub and generating geographies of closures.

6.1 Categorising pub ownership structures

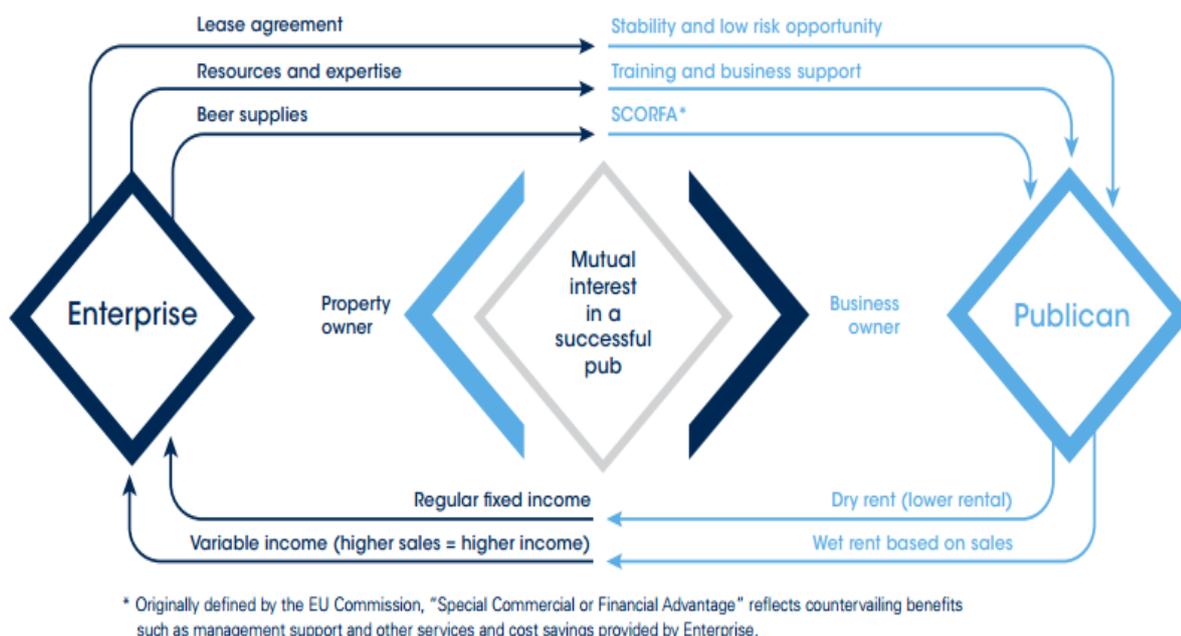
Whilst the remainder of this thesis analyses a range of pubco business models across Britain and Germany, understanding the ownership structure and tenanted system ascribed to the dominant non-brewing pubco model in Britain is crucial in terms of analysing the relationships between financialisation and the changing role of the pub.

Preece (2008: 1115) offers an accurate explanation of the typical pubco business model;

- *“The pubcos lease pubs to tenants via leases of varying length and conditions, usually specifying full-repairing and insuring obligations;*
- *Beer and certain other supplies must be purchased from the pubco or suppliers nominated by the pubco;*
- *Rent is paid, which increases annually and is subject to review after a specified period of time;*
- *Pubcos enjoy the ‘right of entry’ to the licensee’s premises;*
- *The pubco buys beer from breweries in bulk at discounted prices, which it then sells on to its tenants at a higher price, generating a significant margin”.*

The pubco model has two main income streams attached to the tenanted estate, “wet rent” which relates to the profits they accumulate through selling beer to licensees, and “dry rent”, which is the cost of renting the premises (Spicer *et al.*, 2012: 175). Figure 6.1 details the business model mechanisms for Enterprise Inns and provides broader insight regarding fundamental elements of the dominant pubco model and the pubco-tenant relationship, otherwise known as the beer-tie.

Figure 6.1 Tenancy arrangements of Enterprise Inns



Source: Enterprise Inns Annual Report (2014: 4)

Whilst an entire chapter is devoted to analysing and comparing the nature, mechanisms and manipulation of beer-ties across both institutional contexts, it is crucial to understand the fundamental importance of the tie mechanism for the tenanted pubco model and how it provides a means of enacting the imperatives of financialisation. Table 6.1 provides an explanation of the beer-tie mechanism most commonly associated with the tenanted pubco model.

Table 6.1 Beer-tie mechanisms associated with the pubco model emergent in Britain

<u>Beer-tie</u>	Tenants are tied to the owning company and must pay a wet-rent (beer, supplies) and a dry-rent (physical rent for the property)
<u>Free-of-tie</u>	Less common. The pubco requires the tenant to pay a dry-rent but is then free to purchase beer and supplies from the open market. Note: free-of-tie more commonly used to describe individual owners of freehold pubs.

Source: Author's own

It would be inaccurate to suggest that all pubcos are assembled and behave in the same way; however the larger tenanted pubcos operate under very similar business models. Acknowledging the agency and heterogeneity of the pubco, the remainder of this chapter and thesis are predominantly concerned with the larger, non-brewing pubcos which operate a tenanted model and have been described as being the “lifeblood of the financialisation era” of the industry (Bower, 2015: 658).

Table 6.2 highlights the differences and key characteristics between the major pubcos. This provides finely grained analysis through identifying the different types of financialised models and serves to demonstrate how different financial structures, practices and activities generate contrasting material outcomes across space and time.

Table 6.2 Pubco ownership structures in Britain

	<u>Punch</u>	<u>Enterprise</u>	<u>Greene</u> <u>King</u>	<u>M&Bs</u>	<u>Wetherspoons</u>
<u>Estate structure</u>	Tenanted (Non- brewing)	Tenanted & Managed (Non- brewing)	Tenanted & Managed (Brewing)	Tenanted & Managed (Brewing)	Managed (Non-brewing)
<u>Total pubs</u>	3,700	5,000	3,000	1,700	1,000
<u>Ownership structure</u>	Plc	Plc	Plc	Plc	Plc
<u>Funding/financing</u>	Securitised	Securitised	Securitised	Securitised	Bank facility
<u>Net Debt (2015)</u>	£1.4bn	£2.3bn	£2bn	£1.85bn	£680m
<u>Core : non-core pubs</u>	2972 : 728	N/A	N/A	N/A	N/A
<u>Geography</u>	National	National	South east focus	National	National

Source: Author's own; Pubco Annual Reports

Finley gained analysis therefore depends upon recognising that whilst core similarities exist “there are many different types of pub company” (Former Pubco Tenant & Campaigner, Author’s Interview, 2015). Through therefore giving prominence to “varieties of firms within a national economy” (Allen, 2006: 75), this chapter serves to

not only expose the incongruity of national capitalisms but also the role of firm agency in constituting the spatially and temporally variegated processes of financialisation.

6.2 Securitisation and the changing role of the pub

In order to explain the spatially and temporally variegated nature of financialisation, research necessarily depends upon analysing empirical issues to gain insight on the “finance that is seemingly ‘doing’ the financializing” and rupturing those static forms of analysis which merely describe and explain the effects of finance in an ungrounded manner (Christophers, 2015 A: 230). In an attempt to do so, this section analyses the pubco experience of securitisation, which is understood as an important constituent of financialisation, and the geographically varied outcomes it serves to generate throughout the British pub market.

The initiation of billions of pounds worth of securitisation packages not only reflects the financialisation of pubcos but also demonstrates how financialised practices have generated spatially uneven outcomes and significantly transfigured the evolution of pubs in Britain. Securitisation is understood as an integral element of financialisation (Giron & Chapoy, 2012: 174), through its prominent role in the “new financial alchemy of high-risk debt management” ascribed to mature capitalism (Foster, 2008: 2). This section argues that the pursuit of securitisation by financialised business models served to initiate a period of acquisition, forced firms to behave and coordinate activities in a particular way and ultimately generated a particular decline based on engendering a reconceptualisation of pubs as expendable financial assets.

6.2.2 Securitisation and expansion strategies

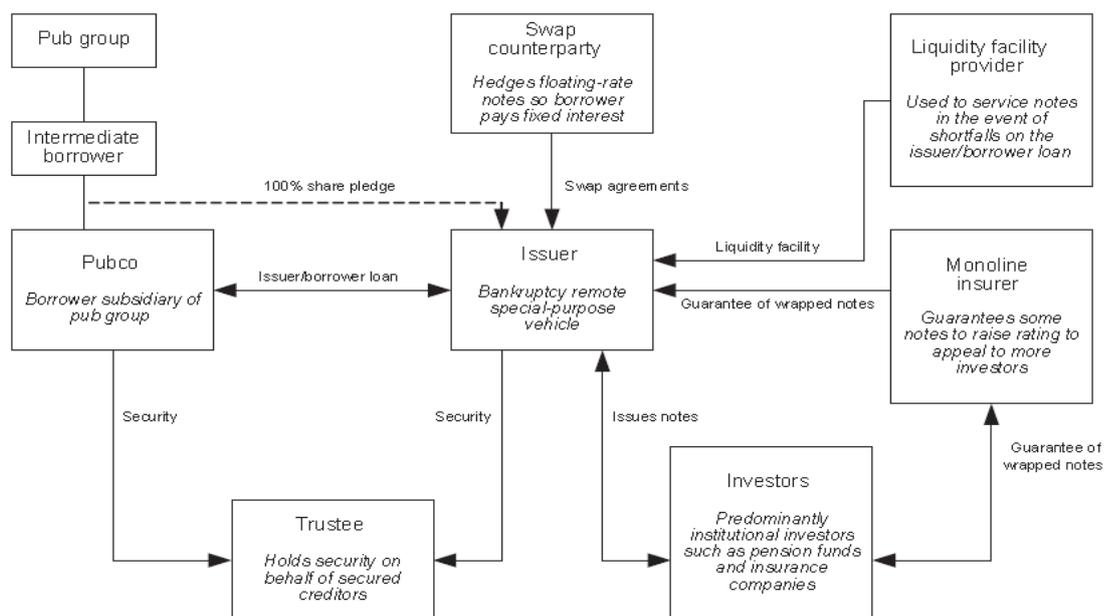
Securitisation has been hailed as an “established financing technique” which allows firms that match certain criteria to secure relatively large sums of money “at the back of a specific pool of assets” (Erol, 1999: 45). Firms propose “identifiable cashflows from a particular set of assets” to financial institutions, those income streams are then securitised and the firm receives a certain amount of debt-finance (Mitchells & Butlers A, 2015). Securitisation therefore involves receiving large amounts of cash based on future revenue streams attached to a particular set of assets (Thornton, 2014: 144).

The recent financial crisis proved to be an “illuminating moment” which encouraged commentators to develop a “deeper insight into the workings of the economy” (Marshall, 2013: 456). The rise of securitisation throughout mature European markets was fuelled, in part by increased financial deregulation and liberalisation, but also through “pressure to increase returns on equity” and the growing consensus that it reflected a “competitive financing alternative by financial institutions” (Erol, 1999: 45). Whilst critics assert that securitisation is “sowing uncertainty and growing risks in the global financial system”, even suggesting that the widespread adoption of securitisation was the main cause of the financial crisis (Giron & Chapoy, 2012: 171/172), proponents stress that it enables firms to become more efficient in terms of their use of capital and reduces risk in the long-term (Erol, 1999: 45). Critics have also argued that securitisation fuelled excessive credit expansion through significantly lowering borrowing standards (Alper et al., 2015: 19).

The process of securitisation shaped the evolution of the British pub market and directly contributed to spatially uneven outcomes through asset churn and closures, as well as a reorientation of the pubco-tenant relationship. The securitisation process

involves the “bundling-up” of pubs as financial assets that “yield clear and defined income streams” and using the prospect of those incomes streams to capture debt-finance (Leyshon & Thrift, 2007: 100). Pubcos have been hailed as the “classic example” of whole business securitisation due to meeting the criteria of being cash-generating organisations, which own fixed, tangible assets and “operate in a mature, stable market with high barriers to entry” (Cox, 2003: 131). Analysts argue that what resulted in pubs being “ideally suited to the process” was their “freehold property basis”, the fact that the market it is “diversified geographically into lots of small components” (Thornton, 2014: 144), and the how identified income streams are not only directly attached but necessarily dependent on tangible assets (Erol, 1999: 46). The debt being issued tends to be long-term, fixed-interest bonds which are secured against the property assets and income streams in the form of the wet and dry-rent of the pub business. Figure 6.2 offers an example of a typical pubco securitisation structures.

Figure 6.2 Typical pubco securitisation structure



Source: taken from Cox (2003: 133)

The consolidation of securitisation as the most popular pub debt mechanism relates to its relatively lower financing costs, its nature as a form of “long-tenor financing” and its acclaimed ability to facilitate greater operational flexibility (Vink, 2007: 7). The securitisation of pubs was pioneered by Nomura Bank and their finance chief, Guy Hands, with the successful expansion of their pub estate justifying and normalising the financing technique. As the “kind of financial engineering that was the City’s favourite tippie before the banking crisis”, companies including Punch and Enterprise used securitisation as a means of fuelling a particular form of asset-led expansion, supported by shareholders and financiers captivated by significant returns and rising share prices (The Telegraph 15th June, 2013).

Even as early as 1999, securitisation was “accepted as the principal way to finance pubs” (Erol, 1999: 46) and by the early 00s, over a quarter of Britain’s pubs were “subject to the invisible manacle of securitisation” (Thornton, 2014: 144). Table 6.3 illustrates the growth of securitisation as the dominant means of pubco expansion during the late 90s and early 00s, a development which reflects broader elements of financialisation surrounding the conjuring of capital to acquire and invest out of debt.

Table 6.3 Pubco securitisation initiations, 1998 – 2003

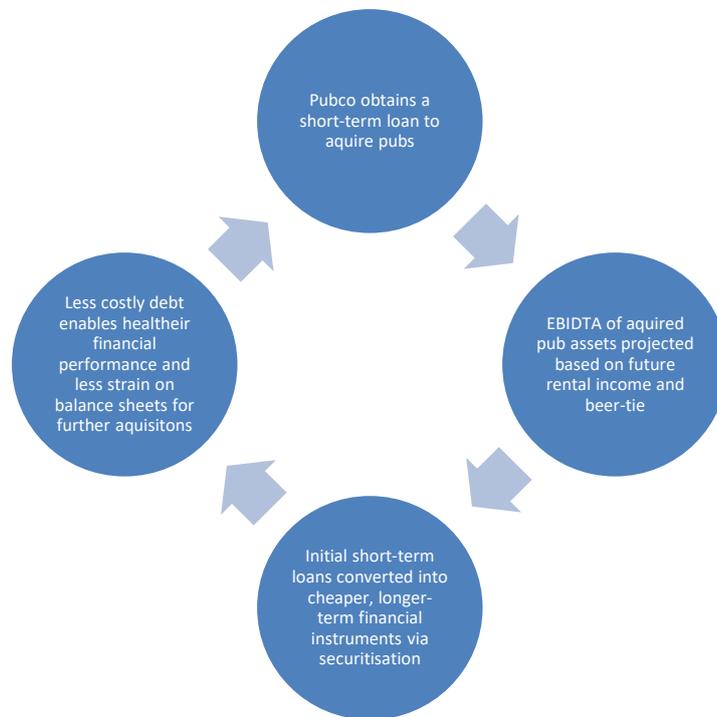
<u>Year</u>	<u>Transaction</u>
<u>1998</u>	Wellington Original £231m
	Punch Taverns Original £535m
<u>1999</u>	Unique Original £810m
	Pubmaster Original £305m
	Alehouse Original £183m
<u>2000</u>	Pubmaster First Tap £109m
	Avebury Original £134m
	Punch Funding II Original £1,484m
	Punch Taverns Tap £250m
<u>2001</u>	Unique First Tap £335m
	Alehouse Tap £34.5m
<u>2002</u>	Spirit Original £656.5m
	Unique Second Tap £855m
	Pubmaster Second Tap £535m

<u>2003</u>	Spirit First Tap £132.5m
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Source: Adapted from Cox (2003)

The supposedly “predictable” and “reliable” revenue streams ascribed to pubs acted as the means through which pubcos were able to become highly leveraged (Preece, 2008: 1115). Pubcos used securitisation to obtain more pubs, which permitted the initiation of even more debt-finance as these assets were enrolled into further packages, and this established an upward spiral of acquisition which would result in a small number of firms owning thousands of both tenanted and managed pubs. Whilst income streams realised from managed divisions have been used for securitisation in the past, most notably Punch, companies have favoured tenanted estates through being quoted substantially higher EBIDTA multiples predominantly due to much lower capital expenditure requirements (Cox, 2003).

Figure 6.3 Securitisation and pubco expansion



Source: Author's Own

Figure 6.3 demonstrates the cyclical nature of pubco securitisation and market expansion. The financial yields offered by securitisation not only enabled but actively encouraged pubcos to expand and acquire more assets, significantly altering the competitive dynamics of the market. Longer-term securitisations replaced short-term loans that were more costly to service, meaning that the opportunity arose to “move ever onwards and upwards in a pub acquisition spiral” (Preece, 2008: 1114). For pubcos, securitisation meant more pubs, and more pubs meant more market share, greater centralised buying power and operational benefits from economies of scale.

“I mean that was the reason pub companies expanded and grew as fast as they did because they could buy an income stream at 5, 6 times income and then go and sell it in a bond at 10 times income. So they could virtually double the value of what they were buying through securitisation and that led to this fight and this clamour for pubs and the mergers and acquisitions that went on” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview).

In this sense, securitisation not only transformed the pubco element of the market, through creating competitive conditions that persuaded acquisition, but also transformed the broader composition and character of the market through distorting property prices. Expansion strategies based on securitisation significantly “affected the freehold values of properties” and essentially “priced a lot of private individuals out of the market” and as a result “the number of free houses reduced” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015). Financial yields attached to securitisation served to increase demand for pub assets from larger pubcos and in turn inflated property values, leaving independent buyers faced with above-market value prices.

It became clear that “money chased the packages”, and within a decade of their emergence pubcos were paying an average of £500,000 per pub as part of a securitisation package, approximately three times more than they would have paid before the commencement of the acquisition phase (Thornton, 2014: 153). Elements of the acquisition process were mutually reinforcing, as shareholders from companies such as Punch, who witnessed their shares increase from 230p to 1300p, encouraged acquisition and expansion with little consideration for the “labyrinthine web of debt”

they were generating, to the amount of £4.5bn at its peak in the case of Punch (The Telegraph 15th June, 2013).

Table 6.4 Total pubco owned pubs following the Beer Orders

<u><i>Year</i></u>	<u><i>Managed</i></u>	<u><i>Tenanted</i></u>	<u><i>Total</i></u>
<u><i>1991</i></u>	3,200	9,500	12,700
<u><i>1992</i></u>	3,300	12,600	15,900
<u><i>1993</i></u>	2,200	12,600	14,800
<u><i>1994</i></u>	2,300	12,400	14,700
<u><i>1995</i></u>	4,800	14,000	18,800
<u><i>1996</i></u>	4,500	14,000	18,500
<u><i>1997</i></u>	4,600	14,300	18,900
<u><i>1998</i></u>	4,900	16,800	21,700
<u><i>1999</i></u>	3,700	18,000	21,700
<u><i>2000</i></u>	9,100	21,300	30,400

Source: Pratten (2005 B: 149)

Table 6.4 demonstrates the “insatiable appetite for more pubs” exhibited by a number of pubcos, a development which led them to “dominate and distort the entire industry” (Thornton, 2014: 57). Pubcos were attracted to this form of asset-led expansion as it provided economies of scale and allowed management to meet the expectations of financial institutions concerning share value and market capitalisation. The larger a pubco becomes the greater the ability to capture significant discounts

from brewers and to secure even larger amounts of debt-finance with better refinancing conditions (Spicer *et al.*, 2012: 175/176). Brewery discounts not only saved the pubcos money but also generated a “considerable profit” when savings were not passed on to tenants who were contractually obliged to buy beer from them (Pratten, 2005 B: 150).

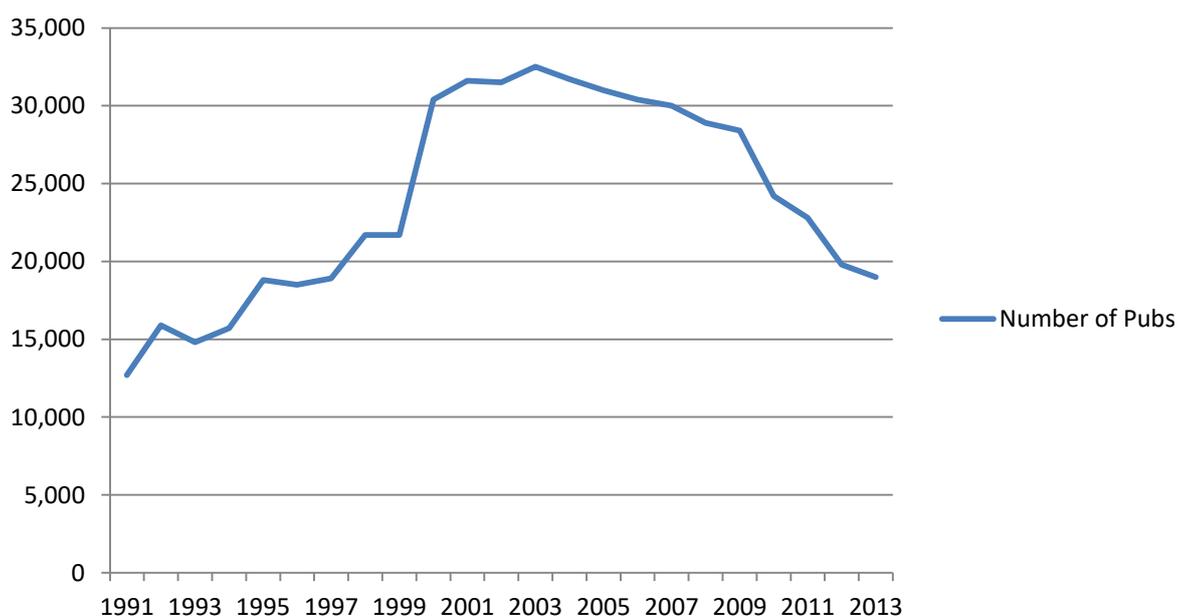
Securitisation therefore allowed firms to respond to the structural changes specific to the market and pressures emanating from financialised competition which placed “continuous pressure on the pubcos to expand their estates”, where acquiring more pubs enabled pubcos to “boost earnings in line with market expectations” due to resultant economies of scale (Higgins *et al.*, 2015: 674). The emergence of the pubco business model therefore transformed the market through crafting a particular form of competition driven by financialisation and based on asset acquisition as a form of market control. Not only did this particular form of competition encourage a management style and set of practices which inevitably proved to be unsustainable, it also restricted the potential of smaller and independent operators to enter the market and transformed pub geographies through the ceaseless churn of assets (Cabras & Reggiani, 2010: 958).

6.2.3 Responding to the decline: pubco strategies following the economic downturn

The market experienced drastic changes around the mid-00s. The mutually reinforcing impacts of the smoking ban, duty costs, the harsher trading environment following the crisis, decreased consumer spending and the relative resilience of the off-trade, meant that by 2008 the dry and wet-rent income streams identified as being suitable for securitisation were significantly lower and much less reliable. Whilst still necessarily

required to refinance debt and maintain certain standards of financial performance, figure 6.4 demonstrates the extent to which pubcos overextended themselves during the acquisition phase and how debt-related pressures forced them to dispose of assets as the only viable means of generating sufficient income. It serves illustrate the spatial and temporal dimensions of financialisation, where a crisis-induced lack of confidence in financialised practices resulted in the geographically uneven closure and churn of pub businesses.

Figure 6.4 Non-brewing pubco owned pubs, 1991 – 2013



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

In addition to contributing to geographically uneven pub closures, securitisation, and the doctrine of acquisition which entailed, served to create tension throughout and

destabilise the pubco-tenant relationship. A lack of communication emanating from rapid growth, as well as the continued post-crisis rationalisation of portfolios, meant that pubcos became “increasingly remote from their landlords” (Pratten, 2005 A: 355). The manipulation of estates through securitisation “reduced each pub to a tiny fraction of an overall income flow in a calculation”, and the pubco-tenant relationship began to suffer through a lack of communication and direct personal support, with each pub as a “tiny insignificant dot in a huge equation” (Thornton, 2014: 153). This highlights the impact of financialisation in terms of eroding and degrading human interactions and relations, transforming them into monetary transaction devoid of genuine social worth. As pub campaigner Bill Sharp suggests:

“The day the Beer Orders came in, the relationship between publicans and pub owning companies changed. Before, your district manager would come to your kids’ christenings because you were all part of a big family. The better you did, the more encouragement you got. Since the Beer Orders, it’s been a constant struggle to achieve a normal relationship because it’s between ‘us and them’. You have to wonder whether it was all for the best” (TPMA 8th July, 2015).

The nature of this relationship can therefore be understood as a result of securitisation, which resulted in the conceptualisation of pubs as expendable financial assets and catalysed aggressive disposal strategies following the crisis. It serves to reinforce the notion that financialisation involves the “gradual replacement of relationships by transactions” (Dembinski, 2009: 18) and how the pursuit of financial machinations conceals and even erodes the social, cultural and symbolic value of a business. The pubco-tenant relationship, which is analysed in later chapters, therefore further exemplifies how the enactment of financialisation generates social tension and

“eventually makes cooperation, creativity, and long-term commitment almost impossible” (*Ibid*: 18).

Whilst securitisation facilitated a particular form of growth and encouraged certain patterns of behaviour, the enforcement of “strict operational controls” in the form of financial covenants, serves to demonstrate a number of direct implications. As Thornton (2014: 145) explains, securitisation meant that for the average pubco:

“Operating profit must be at least 1.25 times the cost of servicing the debt, or it could be placed in administration [...] any income from property disposals has to either be re-invested in other pubs, or repaid to investors [...] a certain reserve fund must be retained, and only capital in excess of this can be paid as dividends [...] another defined percentage normally has to be spent on maintenance”.

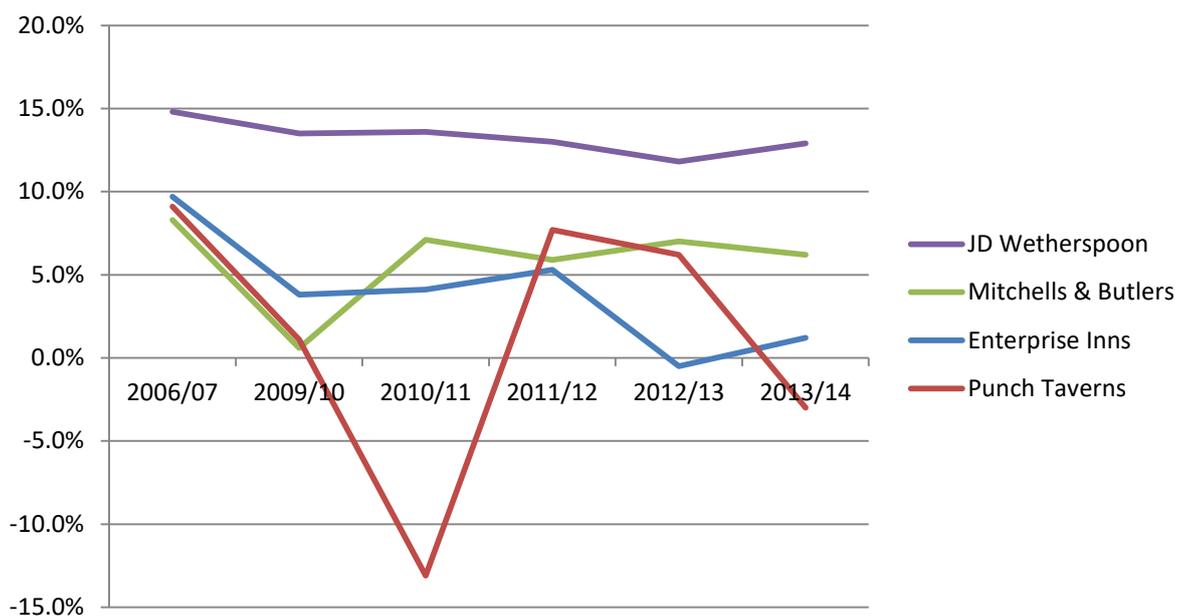
An important covenant of the majority of pub transactions is the DSCR (debt service cover ratio) test, which typically requires a standard of financial performance to be maintained, determined by either cash flow or EBIDTA as a percentage of total debt (Bouvier & Nisar, 2012: 14). Mitchells & Butlers for example are necessarily required to “maintain a minimum free cash flow to debt service coverage ratio of no less than 1.1:1”, as a range of consequences exist if this or any other covenant is broken (Mitchells & Butlers B, 2015). Globe Pub Company, which fell under the ownership of Heineken after defaulting on debt payments in 2009, experienced the consequence of having an external financial consultant “appointed to review the workings of the company” when EBIDTA levels fell below a previously agreed amount (TPMA 2nd January, 2009). The fact that an external financial institution, whose aims solely reside around protecting investors and ensuring the refinancing of debt, can have a say in the

day-to-day running of a firm in charge of thousands of premises, demonstrates the vulnerability of pubs through exposure to the norms of international finance and novel forms of market discipline.

In terms of other covenants, securitisation packages typically insist that dividends can only be paid to shareholders if a certain cash flow target is achieved and this implies that “shareholders can expect a share of rewards only if performance is strong” (Bouvier & Nisar, 2012: 18). These targets are most commonly related to the DSCR, meaning that shareholders only stand to profit if financial performance meets certain standards. As an additional incentive, if DSCR is lower than an agreed target, “all surplus cash is trapped in the pubco” and retained as a means of negating the opportunity to default and enter administration (Cox, 2003: 134). Ensuring a DSCR level which permits the payment of dividends may therefore come at the expense of longer-term investment strategies. The DSCR aids in assessing the financial health of a firm but having a relatively high ratio by no means indicates positive signs of growth, stability, sustainability or any other parameters of operational success.

A number of securitised firms were able to maintain above-level coverage ratios following the crisis and Bouvier & Nisar (2012: 16) believe that this demonstrates the resilience of the pubco model, in addition to a “continuation of the improvement in performance within their debt structures”. What these figures do not represent however is the nature of such financial performance and the extent to which the disposal of pubs and a reluctance to provide investment were encouraged as ways of upholding securitisation covenants and appeasing shareholders. An examination of post-crisis ROCE levels presented in figure 6.5 develops this argument.

Figure 6.5 Pubco ROCE % pre- and post-crisis



Source: Adapted from Bower (2015: 657)

JD Wetherspoon were the only major pubco to not pursue any form of securitised financing and Bower (2015: 657) argues that their success in terms of ROCE and their relative share price following the crisis justified this decision. Whilst ROCE is just one means of assessing relative financial performance, figure 6.5 clearly illustrates the impact of securitisation on the major pubcos. Other factors inevitably contributed to contrasting ROCE levels but the impact of securitisation and the nature of its application must be acknowledged in terms of its role in forging instability, unpredictability and financial volatility for the dominant pubcos following the crisis. This therefore exemplifies how meeting the requirements of securitisation covenants does not necessarily signify success, as well as how financialisation empowers particular operational metrics. It also demonstrates the relative success of JD

Wetherspoon in relation to other pubcos and their prudent decision to expand through more traditional bank facilities rather than securitisation.

Financialisation clearly introduces novel means of financial appraisal, with shareholder value for example highlighting the importance of measurements such as ROCE and EPS (earnings per share) as a means of satisfying shareholder machinations (Van Treeck, 2009). The pubco experience however illuminates the need for clarity through a more nuanced understanding of the specific metrics and frameworks ascribed to financialised business models. Covenants deployed to protect and serve the interests of long-term bondholders generate vastly different outcomes when compared to firms adhering to other financial metrics in order to appease shareholders. In this sense, it is inadequate to merely suggest that financialisation introduces a monolithic and universally consistent set of financial targets, metrics and measurements and suggests the need for a more finely grained understanding. The pubco experience therefore illuminates how securitisation is “neither inherently good nor bad per se”, but rather it is the way in which it is applied and the nature of its use by which outcomes occur that can destabilise firms and generate challenges for various stakeholder groups (Segoviano et al., 2013: 6).

6.2.4 “It artificially kept them open”: how securitisation shaped the evolution of the British pub market

Rather than solely addressing whether securitisation has contributed towards the growing trend of pub closures, this section demonstrates its more nuanced impacts in regard to inducing a particular type of decline. Whilst Germany has witnessed a relatively steady rate of closures per year since the early 1990s, Britain has

experienced a disjointed and less uniform pattern of closures before the financial crisis, followed by a much more rapid decline in the wake of its impacts. Securitisation, and in turn financialisation, can be used to explain the spatially and temporally variegated nature of pub closures throughout both institutional contexts.

At the point of their emergence and during the expansion phase of the 90s and early '00s, rather than acquiring pubs based on their revenue generating potential or any form of market-centred logic, pubcos purchased pub assets because of their value in terms of acquiring capital through securitisation strategies, which in turn permitted further expansion and the ability to provide shareholder value. As the German market avoided any form of securitisation through a fragmented pub estate consisting of a much larger number of independent owners, in addition to the risk-averse culture ascribed to the bank-based model, this crucial difference serves to explain the spatially and temporally differentiated pattern of pub closures across both contexts and in turn the variegated role of financialisation.

“The pubs at the time didn’t closed when the pits closed, they carried on and they carried on being supported by the pub companies, and they to some extent artificially kept them open because of the way that their income from them could be used in the securitisation. Now those pubs would have closed, probably over a period of 20 years, much more slowly, but they would have closed. If you went back through the 00s and back to 2000 to 2009, you probably would have seen that there were very, very few pub closures and pubs weren’t sold for alternative use because they were kept there generating a little bit of income but that income was worth a lot through securitisation. But when it finally collapsed and the securitisation died, all those pubs that had

been unviable for the previous 15 years, but kept open, were closed and that was one of the major reasons why there was so many pubs closing over that period” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

The financialisation of the market resulted in pubcos acquiring and maintaining a significant number of pubs which would have ceased to exist if they did not possess value in terms of broader securitisation schemes. Pubcos appeared to care very little in regard to the intrinsic qualities of pub businesses and how they would function on a day-to-day basis but were rather more interested in how their acquisition enabled them to capture substantial financial yields attached to securitisation packages. As these packages became larger and enrolled more assets, individual pubs became “totally insignificant” as “it wasn’t the Rose and Crown or the Mitre; it was simply one of several thousand pubs being evaluated by accountants and passed around in legal transfers and conveyances by big-city solicitors” (Thornton, 2014: 153). This demonstrates the relationship between financialisation and the homogenisation of the distinctive, particular attributes of pubs and their attachments to place.

In terms of the decline, underperforming pubs were bought and offered up to potential tenants that without pubco intervention would have likely failed and ceased to operate due to external pressures, as witnessed in Germany. This trend would have been relatively gradual but the propping up of a significant proportion of the national estate by pubcos meant that the “near-fatal obsession with securitisation” resulted in a very distinctive, rapid decline (FT 5th September, 2013).

“Undoubtedly and as people’s attitudes to health, attitudes to drinking, working environments, the heavy industries, people drink less than they used

to and they have been doing over the last 30 years and that would have led to a much steadier, consistent drip, drip of closures as pubs have become unviable, as the pit closes, what have you. They weren't closed and that's what led to a sudden fluctuation, a big flood of properties being closed because you know they hadn't been for so long and all of a sudden they all went at once" (Director, Chartered Surveyors Specialising in Pubs, Author's Interview, 2015).

This process demonstrates the spatially variegated impacts of financialisation and how the securitisation process established a relatively irregular and complex development trajectory. Financialised practices elongated the evolution and postponed the decline of pubs in the country pre-crisis, before being the determinant factor in the rapid degeneration of the national estate post-crisis. This argument is reinforced by the fact that of the 20,000 pubs closed in Britain since 1980, half of those closures have occurred since 2006 (Snowdon, 2014: 8). Not only does this illuminate the substantial impact of disposal strategies initiated by pubcos but also how the growing trend of pub closures has been by no means linear, steady or predictable, hence suggesting the requirement of a finely grained approach to understanding and analysing the material outcomes of financialisation.

In addition to shaping the evolution of the tenanted estate, securitisation has also generated consequences for the broader market, particularly in terms of the financial environment and availability of credit for smaller and independent operators.

"The banks have been talking a good game for many years but they're not delivering and they're much more cautious than they used to be and probably rightly so to a point, but they consider the pub trade a little bit toxic. You know they would invest in hotels a lot more readily than they would pubs. The ones

that do are looking for a proven operator buying a proven business. And if they can find both of those, they will lend 60, 65% of the purchase price, so the purchaser is having to put in 35, 40%, plus stamp duty, plus the cost, plus have working capital, plus buy the stock, and so quite often it can be up to 50% of a free hold property, and that limits the market to a number of private individuals that have that kind of cash [...] The banks are looking for the lowest risk opportunities and when you have some of these long established family brewers who have 10% debt on their asset, you know, the banks would throw money at them saying 'please buy something, please buy something, we want to hit our lending targets and we'd rather do it with you cause you're a safe bet than deal with individuals who want 60% and have got a bit of a track record'. So just like any other business, they're wanting to lend to the best opportunities" (Director, Chartered Surveyors Specialising in Pubs, Author's Interview, 2015).

The fact that banks are cautiously lending to independent buyers not only demonstrates their broader borrowing mentality in the wake of the financial crisis, but also, to a degree, exemplifies a more nuanced consequence of the financialisation of the pub market. Whilst the notion that banks are only "wanting to lend to the best opportunities" is symptomatic of broader macro trends, the idea that these institutions perceive the pub trade as a "little bit toxic" is a likely outcome of the failures of highly indebted pubcos and their appetite for securitisation (Director, Chartered Surveyors Specialising in Pubs, Author's Interview, 2015). The well-publicised closure of thousands of pubs at the hand of highly leveraged operators has served to instil apprehension, doubt and even fear throughout the market and across

the financial institutions assumed to be acting as lenders. It illuminates the legacy of distrust established by poorly conceived securitisation schemes which were proven to be unequitable for the majority of stakeholders and unsustainable in the long-term. This legacy has effectively reoriented the competitive nature of the pub market and significantly hindered entry into the market for smaller and independent operators.

In the pre-crisis environment, Erol (1999: 48) describes securitisation as a financial mechanism that “differentiates stable businesses from the not-so-stable ones,” arguing that for the stable enterprises it serves them “due credit to their inherent resilience”. Whilst this may be true for a number of other financialised markets, the failure of this securitised model, in terms of both pubcos and their creditors, exposes the fallacy attached to any notion of being able to accurately identify stable businesses and fundamentally exemplifies how “business models need to be underpinned by more than financial imperative” (Bower, 2015: 659). Stockhammer (2012: 50) also describes how proponents of financial liberalisation and deregulation genuinely believed that financialisation and its associated mechanisms would “provide a superior way of dealing with risk” and specifically that the process of securitisation would actualise this through being able to “slice risk into different parts and allocate it to those who were best equipped to hold it”. An understanding of the experience of the pubco model emergent in Britain problematises this position and illuminates the inherent precariousness and volatility attached to corporate strategies which pursue securitisation as a financing technique, as well as a geographical unevenness to its outcomes.

The widespread adoption of securitisation as a form of “debt-financed acquisition” has established longstanding consequences for the British pub market and, whilst at

certain stages being accredited as part of a process that “generated some spectacular returns for shareholders”, its impacts appear to have been inherently destabilising (Higgins et al., 2015: 678). This section has demonstrated how the financialisation of pubs reoriented firm behaviour, encouraged widespread acquisitions, and eventually resulted in the closure of thousands of pubs, but also how the process of securitisation shaped and elongated the evolution and subsequent decline of the British pub market. Ultimately, the pressures instilled on firms by financialised competition and increasing levels of debt can be understood as generating geographically uneven pub closures, as Tabb (2007: 3) explains:

“The possibility of gaining control of assets with borrowed money and using the underlying capital as collateral for extensive borrowing puts a steady pressure on corporate leaders to use any surplus cash for share buybacks, and to take on debt for this purpose so as to make their companies less likely to be takeover targets”.

The initiation of securitisation strategies and concomitant disposal of pubs following the crisis exemplifies how such pressures, and a particular set of responses, have become normalised within the British pub context. Pubco securitisation has therefore increased the vulnerability of tenanted pubs through exposing them to the uncertainties and vicissitudes of international finance. As a core constituent of financialisation, securitisation has transformed pub geographies and generated spatially uneven change. The degree of heterogeneity, in terms of how securitisation has been used throughout the market, further reinforces the role of firm agency in constituting the inherent variegation of financialisation and associated material outcomes.

The crisis therefore proved to be a major turning point for the securitised tenanted pubco model, exposing serious faults and casting doubt over its “attraction and sustainability” (Bower, 2015: 657) and in addition to spatial variegation, this also provides insight regarding the temporal unevenness of financialisation. Financialised expansion strategies, based on providing shareholder value and enhancing market capitalisation, have been replaced by disposal strategies necessarily required to service debt and nullify the threat of administration and takeover. Commentators argue that this trend signifies how the financialised pubco model is “destined to eventually evaporate” (Former pubco tenant & campaigner, Author’s Interview, 2015) and in turn suggests temporal unevenness in the enactment of financialised processes within the present episode of financialisation.

6.3 Financialisation and debt: disposal strategies and a chronic lack of investment in wake of the crisis

Whilst following chapters analyse the relationships between financialisation and pubco disposal strategies in detail, it is important to recognise the role of securitised debt in the reconceptualisation of pubs as an expendable financial assets and the material outcomes of this transformation. Described as the “bane of pubcos before the crisis”, this section explains how debt-fuelled growth altered the pubco-tenant relationship and generated pub closures (FT 18th May, 2016).

Following the decline of pubco revenue streams attributed to a much harsher trading environment following the crisis, pressures emanating from unmanageable debt levels compelled pubcos to dispose of pub assets as the only viable means of matching certain standards of financial performance whilst simultaneously servicing debt.

“The fact that Punch owed all of that money in debt and needed to be able to pay the interest payments, the only way they could do that is by selling the pubs off” (Director, Business Support Group, Author’s Interview, 2015).

As the securitisation process instilled a reduced economic reading of pubs, their disposal became an unchallenged and accepted means by which pubcos could “keep their heads above the icy waters of debt” (Thornton, 2014: 154). Comparing figures 6.6 and 6.7 demonstrates the relationship between refinancing debt and disposing of pubs. The comparison shows that for Punch, net debt levels peaked around the same time as their estate grew to its largest, as well as a clear correlation between falling debt levels and the decline of the leased estate. Aggressive disposal strategies following the crisis therefore provide an explanation for the 18% decline in the number of pubs in Britain between 2006 and 2013, where the national estate shrank from 58,200 to 48,000 premises (Snowdon, 2014: 11).

Figure 6.6 Punch Taverns total net debt, 2005 – 2014 (real £m’s)

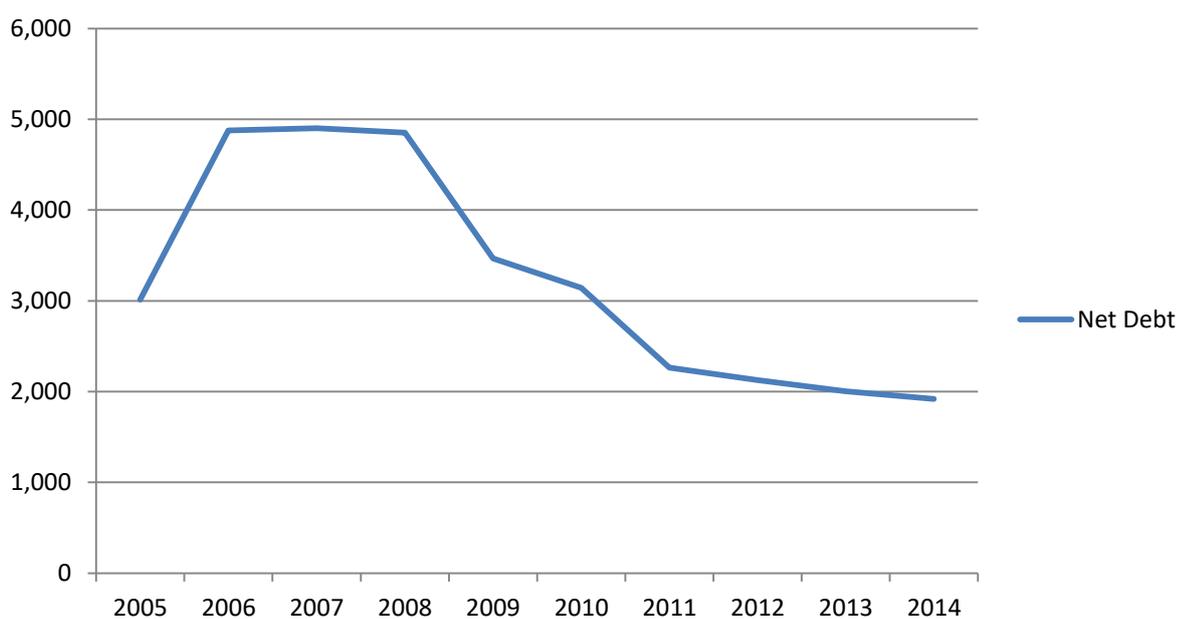
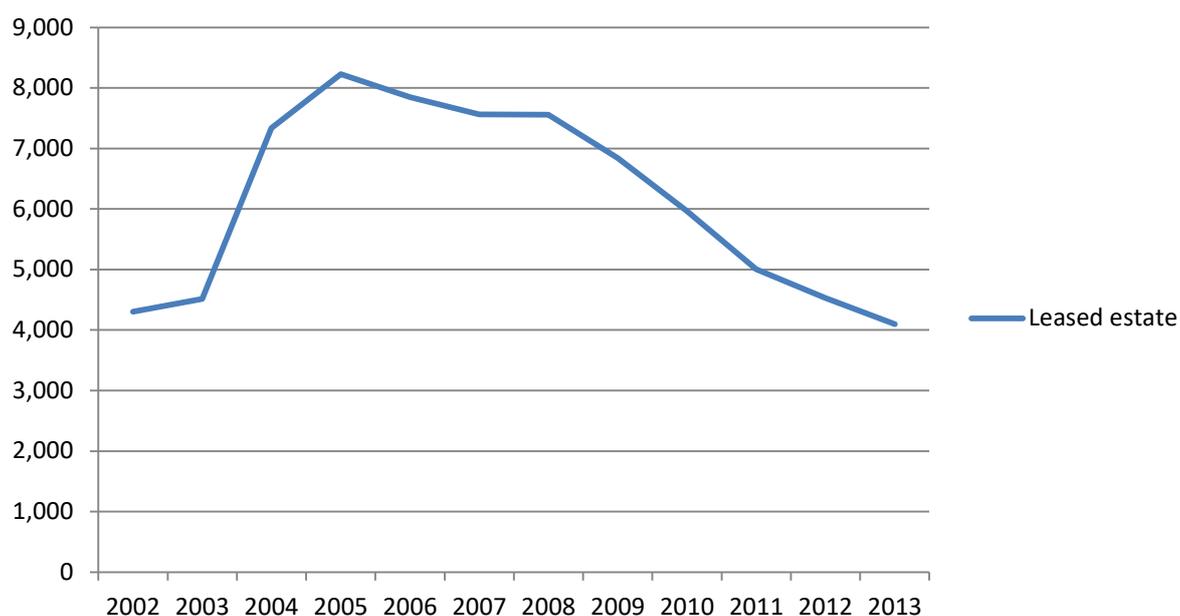


Figure 6.7 Punch Taverns leased estate, 2002 – 2013



Source: *Punch Taverns Annual Reports for both figures (Author's Research, 2015)*

6.3.1 Categorising pubs under aggressive disposal strategies

As pubcos have retained significant proportions of their estates, geographically uneven closures occur based on the calculative means by which companies dispose of their assets. Whilst larger pubcos often refer to disposed assets as underperforming or the tail-end of their estate, a small number operate under a core and non-core structure.

For Punch, the non-core estate consists primarily of “small, wet-led” pubs that have an average annual profit of approximately £30,000, compared to core pubs at around £59,000, and are “expected in time to generate more value through disposal than retention” (Punch Taverns Annual Report: 2013: 6). The discrepancy in net-profit appears to be the primary means by which divisions are cast, with limited information provided concerning the criteria used to determine core or non-core status. Rodger Protz (9th September, 2015) for example, argues that Punch are beginning to

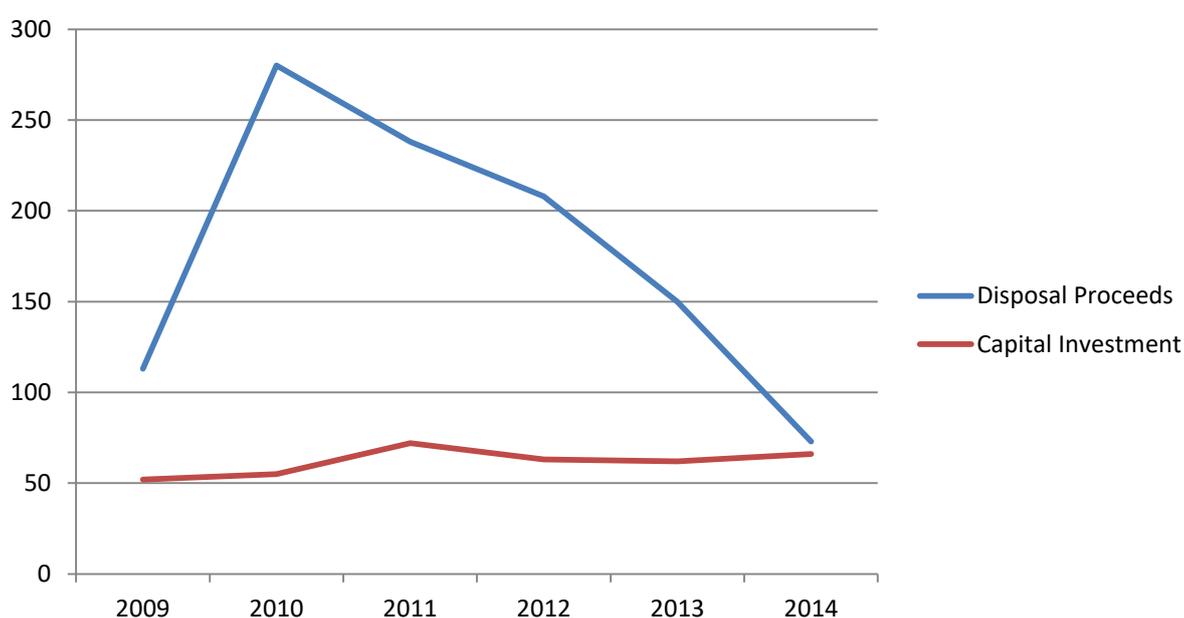
categorise core pubs as non-core depending on whether their tenants intend to take the market-rent only option, an upcoming government initiative which serves to reduce the extent of the tie. This spatially blind method is therefore justified by the necessity of refinancing debt and forms the basis for uneven geographies of closures driven by a placeless rather than geographical financial logic.

The disposal of assets is not the only means by which largely indebted pubcos have attempted to refinance debt, as in 2013 creditors enabled Enterprise Inns to use an unsecured convertible bond to refinance over £100m of securitised debt. This manoeuvre was celebrated by Chief Executive Ted Tuppen as it resulted in the firm being less reliant on the disposal of pubs as a means of debt refinancing and allowed them to return to “the old days”, which were characterised by the sale of between 1% and 2% of their estate per annum (FT 5th September, 2013). Following the convertible bond, the disposal strategy returned its focus to the “underperforming element of the estate”, with proceeds aimed at funding the “annual capital investment in the retained business to enhance its income potential” (Enterprise Inns Annual Report, 2013: 16).

Whilst accepting that a number of securitised pubcos are “heavily leveraged” and “have a very public commitment to change the nature of their estate by selling off some of the pubs that they would class as being at the lower end of the market”, it has been argued that such disposal strategies are not solely adopted to refinance debt but also to enable firms to “reinvest in the pubs that they think have the best chance of survival” (Public Affairs Director, British Beer & Pub Association, Author’s Interview, 2015). However, as figure 6.8 demonstrates, disposal proceeds for Enterprise rarely match their annual expenditure on pubs. Not only does this highlight how Enterprise are generating investment through proceeds raised by the disposal of other pubs but

also the complex nature of financialisation, where firms utilise debt instruments as a means of refinancing pre-existing debt and restructuring operations to appease financial machinations.

Figure 6.8 Enterprise Inns disposable income and investment expenditure, 2009 - 2014 (real £m's)



Source: Enterprise Inns Annual Reports, Author's Research

As a direct result of securitisation and therefore financialisation, pubcos have “had to dispose of a lot of pubs in order to service debt”, selling off “huge chunks of their bottom-end pubs” (Journalist, Pub Trade Press, Author's Interview, 2015). Regardless of this principled approach in terms of selling underperforming assets, pubcos such as Enterprise remain opportunistic when considering any option to “dispose of exceptional properties” which allow the firm to “realise cash proceeds above book value and at healthy multiples of income” (Enterprise Inns Annual Report, 2012: 10). In

a similar vein, concerned with “maximising value on disposal”, the Punch Annual Report (2013: 7) informs shareholders that of the 433 pubs disposed of that year, which raised a total of £149m, 60 of those pubs were categorised as being part of the core estate.

Securitisation, the accrual of unmanageable debt levels and the clash of value-based metrics ascribed to financialisation have engendered the reconceptualisation of pubs as expendable financial assets. The emergence of core and non-core estates provides a geographically indiscriminate framework through which pubcos respond to the pressures of financialisation and results in spatially uneven development through pub churn and closures.

6.3.2 The strain of debt

Commentators argue that the inherent nature of the tenanted model inevitably results in a “tension between a tenant and their landlord, whoever they might be” (Journalist and Beer Writer, Author’s Interview, 2015). This observation is important and offers insight into broader issues concerning the fundamental mechanism of the pubco business model. Lashley and Rowson (2002) support such an argument, expressing that an untypical component of the pubco business model revolves around the corporate relationship between a bigger firm and a smaller firm operating under its control, describing it as an unbalanced relationship which suffers from tensions associated with mismatched preferences.

“If you’ve got a tenanted pub or a tied pub basically two people are trying to get a return from the business, and as we know the businesses are struggling

from all sorts of macro and micro reasons [...] I think if only one person or one party is trying to get a return from a pub then that is easier and that stands to reason” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

These tensions are however “intensified” when pubcos are faced with “economic pressures”, suggesting that challenges emanating from the model are likely to be exacerbated through firms enacting and appeasing the norms of financialisation which are often based upon the initiation of debt (Lashley & Rowson, 2003: 273). Greater tension and operational problems may therefore emerge from “big-city dealers and financiers” in charge of pubcos, who prioritise the servicing of debt and the imperatives of financialisation whilst lacking an understanding of the “day-to-day grind of caring for a pub” (Thornton, 2014: 56).

Not only has indebtedness shaped aggressive disposal strategies, it has also induced a broad range of operational consequences which have impacted tenants and their businesses. Whilst the size of the dominant pubcos and levels of indebtedness attached to that growth allowed them to “exercise their egos” in terms of buying power with the brewers, it also made them “remote from their licensees, and a target for widespread resentment and disaffection” (Thornton, 2014: 154). Debt-related pressures ensured that pubcos remained focused on extracting as much value as possible from individual premises and as a result transferred financial hardship onto tenants:

“I think there are probably tenants who would have been able to run successful pubs had pub companies not got into such financial difficulties [...] individual pubs might have been able to be more profitable in different times and

certainly tenants could have done a bit better” (Policy Adviser, Small Business Expertise Group, Author’s Interview, 2015).

Unmanageable debt levels rationalised behaviour and resulted in a lack of investment, training and support, significantly hindering the ability of tenants to adapt to harsher trading conditions following the downturn. The pressures of debt also resulted in pubcos being “prepared to grant a lease to anyone”, where the retention of wet and dry rent has become enough to suffice short-term targets, with little consideration devoted to the long-term sustainability of the pub business and the degree of competency shown by the prospective tenant (Pratten, 2005 A: 356). This argument is reinforced by the fact that tenant and landlord churn is far greater in the tied sector (Muir, 2012), and from statements made by Punch Executive Chairman Steve Billingham, who stressed that the property came before the tenant, asserting that “if they failed, you brought in somebody new” (FT 21st November, 2013). The fact that tenants are being placed in pubs “that are not suited to their circumstances, resource and needs”, further illuminates the extent to which pubcos conceive of pubs as expendable financial assets, as well as how operational problems and tenant turnover are likely to prevail (Lashley & Rowson, 2003: 273). The indebtedness of pubcos has therefore impacted the ability of tenants to successfully run their businesses, primarily through rising beer and supply costs:

“Every pub company is a bit different, but certainly looking at the Punches and Enterprises of this world, then with their financial difficulties it’s fairly uncontroversial to say they are the reason why they have these models and why charging for their supplies has become so out of kilt with open market

costs” (Policy Adviser, Small Business Expertise Group, Author’s Interview, 2015).

Whilst the mechanisms and complexities of the tie are handled in detail in following chapters, it is crucially important to realise that the fundamental nature of the tie, as well as the relationship between owner and tenant, have been transformed by the financialisation of the business model and particularly the pervasive implications of debt. Debt has therefore rendered pubcos such as Punch “paralysed in terms of the support and investment it can offer to tenants” (Journalist, Pub Trade Press, Author’s Interview, 2015).

Whilst other factors have contributed to falling pub numbers, the implications of the pubco business model clearly support the broader argument that financialisation reduces the growth prospects of non-financial corporations (Tomaskovic-Devey *et al.*, 2015: 1). Not only do the preceding arguments demonstrate the spatially and temporally variegated nature of financialisation, they also allude to the diverse nature of the financial crisis as something that “varies widely between different peoples and institutions in different times and places” (Christophers, 2009: 808), where in this circumstance the financial crisis served to lessen the pace of financialised practices.

The strain of debt therefore means that tenanted pubs are “more likely to fail because they have less profit to put back into the business, to reinvest, to maintain high standards” (Former pubco tenant & campaigner, Author’s Interview, 2015). As the cultural and corporate norms ascribed to the German variegation of capitalism have nullified the extent to which financialised competition has shaped the pub market, a geographically sensitive understanding of financialisation, particularly in terms of transforming pub geographies, can therefore be articulated.

6.4 Short-term versus long-term: financialisation, short-termism and the reorientation of pubco business models

Aligned with the timescales of financial institutions, financialisation has engendered corporate cultures in which shareholders, owners and management are encouraged to disregard the long-term consequences of their decisions and rather prioritise “their narrower, short-term self-interest”, with a greater emphasis placed on financial efficiency and “the profits that they might garner now” (Stiglitz, 2013: 112). Such an ideology has established the tendency amongst firms to prefer short-term returns at the expense of long-term investment strategies, a development which has been utilised to explain the stagnation of economic activity being witnessed throughout mature economies (Sen *et al.*, 2015: 13). Epstein (2015: 9) argues that short-term orientation under a financialised logic inevitably results in under-investment in areas such as labour, R&D and innovation, and over-investment in inherently riskier projects and practices which garner short-term returns. Through the emergence and influence of value based management strategies, financialisation has therefore fractured the traditional preferences of many non-financial organisations and reoriented them to match and adhere to the shorter-term norms and rationales of financial institutions (Froud *et al.*, 2006).

Whilst securitisation and unmanageable levels of debt induced pubcos to conceive of their pubs as financial assets, the permeation of a financial logic has stretched further throughout the business model, resulting in the transformation of strategic orientation and corporate behaviour. This section argues that pub operators and brewers more aligned to the imperatives of financialisation tend to adopt short-term oriented

strategies which are typically centred on meeting financial demands in relation to shareholders and stock markets, rather than focusing on the long-term sustainability of individual pub businesses. Comparing privately owned and publicly traded corporations across both institutional contexts serves to reinforce this argument and further demonstrate the causal and constitutive role of geography in the enactment of financialisation.

6.4.1 Financialisation and pubco planning horizons

Comparing the strategic preferences and management procedures of pub owning companies across Britain and Germany establishes how financialisation shortens planning horizons and reorients corporate activity. This section argues that publicly traded companies are more likely to enact the imperatives of financialisation, a development which often catalyses tendencies towards short-termism, and are necessarily more short-term oriented than smaller, privately owned entities.

Whilst affirming that companies like Punch and Enterprise “are in it for the long-term”, commentators argue that the nature of their business models dictates that these corporations will “have more of a short-term focus on some things” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015). The pressure of appeasing a broader range of stakeholders, as well as the overriding demands instilled by financialised competition and in some cases securitisation covenants, means that public quoted pubcos are more likely to be short-term oriented and in turn reliant on pub disposals as a means of remaining profitable:

“I think they have to be. I think any public coated company has to be beholden to their shareholder and I guess providing the results, the dividends, the returns, affects day to day decisions” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Decisions made by management are framed by the temporal nature of the broader strategy of the organisation, which is in turn framed by the format of ownership. Privately owned pub operators, which can afford a much longer-term orientation, act in a very different way to more financially oriented publicly traded corporations, which must necessarily take a shorter term approach to meet the quarterly demands of shareholders and stock markets:

“Someone like a Timothy Taylor’s will make a decision that a Punch Tavern’s wouldn’t, because they’re making a decision for 50 years, not for 5 months’ time [...] Whether that affects the investment in pubs, managing the pubs, making the most out of the estate on a day to day basis, they’re just different approaches. They might be more intent to have a longer term view that looks after tenants, provides a softer rent deal, and accepts continuity and stability more than some of the listed companies that you know are more about now, now, now” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Through prioritising financially oriented performance metrics and exposing management to the pressures of competing as investment opportunities (Williams, 2000), the public quoted pubco ownership structure appears to therefore induce short-termism through fostering the enactment of the core constituents of financialisation.

The inherent pressures of this ownership structure, and the financialised logics under which pubcos operate, have not only shortened but also significantly transformed strategy. Financialised competition has encouraged management to focus on enhancing and preserving the value of pub asset rather than the value or sustainability of the pub business:

“Their area managers are only bothered about the value of the estate. So in other words, you have 20 pubs and they’re worth £1m, your target as the area manager will be to increase that value to £1.2m by the end of the year. It’s got sod all to do with selling and looking after customers. They are property companies” (Director, Business Support Group, Author’s Interview, 2015).

Prioritising the value of assets, as opposed to marketing, long-term sustainability, customer satisfaction or quality of service, demonstrates how financialisation has altered strategic preferences and supports the argument that the larger pubcos are “more interested in their own profits than the viability of their lessees” (Pratten, 2005 A: 345). Proponents of the pubco model do however argue that the accusation of short-termism is “inaccurate”, asserting that:

“Maybe 10-12 years ago it may have been a charge that could have been laid at us but I think that with the amount of investment that we’re putting into our pub estate, you know I think in the last 3 years we’ve invested £45m plus, I think that shows we’re in it for the long-term” (Central Operations Manager, National Pubco, Author’s Interview, 2014).

Advocates of the pubco model therefore argue that investment in pubs demonstrates a long-term approach and a genuine desire to witness their tenants and businesses succeed.

“You know if we chuck in £150,000 or £200,000 at a pub, we want that pub to build a return for us and be a partner in the long-run because if we don’t and if it doesn’t we’ve just chucked our money down the drain [...] I think we need to be in it for the long-term” (Central Operations Manager, National Pubco, Author’s Interview, 2014).

Whilst tenants are likely to benefit from significant investment, the ownership of the asset on the part of the pubco problematises the extent to which capital expenditure reflects a genuine priority in regard to the long-term viability of pub businesses. Commentators argue that significant investment merely equates to a justifiable rent increase, where expenditure is recouped through the firm selling the asset at a higher price in future:

“Whenever a refurbishment is done and capital investment is made by a pub company the pub company puts the rent up [...] its equivalent to a loan”
(Former Pubco Tenant & Campaigner, Author’s Interview, 2015)

The nature of the plc model therefore exposes management to the generalised pressures of financialised competition, targets and metrics. This matches the argument held by many commentators that larger pubcos are becoming more aligned to the logics of international finance, made evident by the fact that:

“They’re looking for shorter term returns, the big breweries are probably likewise, they’re looking to grow the volume and grow margin and they act in

quite a clinical sort of way” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

A greater alignment with international finance therefore transforms the timescales and nature of firm activity. Through the larger pubcos acting “almost like a supermarket would or a hotel chain would”, the extent to which financialisation, through promoting a specific set of metrics and targets, induces a process of asset standardisation and also homogenises corporate activity regardless of the sector in which firms operate, becomes increasingly evident (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015). This transformation is often not isolated to the board of directors but spreads across the entire corporation, instilling a sense of “soulless ubiquity” which, in terms of pubs and brewing, could serve to threaten the long-term sustainability of the organisation (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

There is a common conception that British firms and their pursuit of “short-term financial expediency” is in stark contrast to German firms and their propensity to adhere to long-term planning horizons (Ahrens, 1997: 557). The experience of one of the only publicly traded pub retailers in Germany offers insight into the relationship between financialisation and short-termism:

“The problem is that you have very, very few businesses here attached to a public company like we are. This is the challenge which I and my team faces here, as we are part of a public company that has got quarterly reviews and announcement of numbers and on the other hand we are competing with all our competitors who are not public companies” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

Through existing as one of the only corporatized pub retailers in the country, strategies must be framed in a way which meets the demands associated with stock markets and quarterly earnings targets, a notion which competitors do not have to consider. This demonstrates how acting under a plc, which is inherently more aligned to the logics and imperatives of international finance, moulds corporate strategy and demands a particular form of management.

“I think if it could be my own business, I would, I could perhaps have a different long-term strategy than what my Board has, you know, for our business here, perhaps, I don’t know” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

This statement illuminates the relationship between short-termism, financialisation and publicly traded companies, where a tension exists between short-term financial targets and the long-term demands of the market. Strategies based around financialised forms of competition may therefore be initiated at the expense of meeting market-specific demands.

“There could well be a situation where you potentially have some conflicts, the Board might say ‘well because of our share price you have to do this and this’ and you would say ‘but in my market I have to follow a different strategy’, it could well be but we don’t have that issue” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

This hypothetical situation exemplifies potential difficulties which may arise through plc ownership and the pressures of financialisation. It highlights how the importance of maintaining a strong share price can undermine strategies which may benefit the firm

in the long-term and thus also suggests that short-termism is fuelled by an alignment to finance and a corporate culture which acts sensitively to international stock markets.

Adhering to the recurrent theme of this thesis however, the pubco is not a monolithic entity, with certain organisations driven by other motives than short-term financial returns. Existing as a public limited company does not necessarily result in short-termism or the financialisation of the firm:

“We are an organisation that is very heavily embedded by our values. So our shareholders, our shareholders care that we’re treating the people right as well as producing a good product. It’s a very beautiful package really [...] We’ve got quite a strong set of values which included looking after the environment in which we live and work, and very strong community ties” (Chief Operating Officer, Regional Brewing-pubco, Author’s Interview, 2015).

Whilst plc ownership may therefore increase the likelihood of the financialisation of the firm, cases exist which demonstrate the need for finely grained analysis that addresses the nuances and heterogeneity of the shareholder as well as other core constituents of financialisation. The agency and inherent variegation of the firm therefore constitutes a multifaceted relationship between plc ownership, short-termism and the enactment of financialisation, ensuring its processes unfold highly geographically unevenly.

6.4.2 Nationally framed brewing strategies

In reference to the mediation of financialisation by the institutional and geographical structures of variegations in capitalism, brewers appear to demonstrate nationally constituted traits, with the history, character and competitive dynamics of the institutional environment in which they operate informing their behaviour and strategy.

“Put it this way, I’d say, all the beer business and the beer industry, except for perhaps a few Belgium family brewers and the Germans, is finance-driven, full stop [...] When the going gets tough in the UK, I mean after the Beer Orders, they sold out. They said ‘oh there’s no future in this for us, we won’t be able to reap those profits that we have become used to, so sell to the highest bidder’. The Germans never did that, they just potted on” (Editor, International Brewery Magazine, Author’s Interview 2015).

This suggests that British brewers were more concerned with profit maximisation and rates of return as opposed to the long-term viability in their capacity as brewers. Perceived by financiers as an “old economy, mature sector”, the brewing market witnessed the withdrawal of many of the largest domestic groups following the Beer Orders, which were attracted by other enterprises in the leisure and hospitality sectors that offered greater short-term returns and better long-term prospects (Pike, 2006: 211). German brewers appear to be less profit-driven, and more resilient against the pressures of mergers and acquisitions emanating from financialised competition, due to a nationally constituted strategic focus:

“In Germany the mind-set has always been hectolitres, they always thought in terms of volume, they always wanted to brew more beer than their

competition [...] so with that focus on hectolitres instead of profits or the bottom line, Germany kind of veered into a different direction [...] that is a mind-set that is hard to change” (Editor, International Brewery Magazine, Author’s Interview 2015).

This deeply embedded strategic orientation, when combined with a form of ownership and particular institutional environment, has created a corporate form that has proven to be resilient against the pressures of financialisation. When we compare the typical German brewer with Bass, one of the “big six” brewers which bought a significant stake in the Holiday Inn Group around the time of the Beer Orders, the difference in strategic preferences becomes further apparent. Following the legislation Bass became much more concerned with developing the Holiday Inn business, primarily because it would offer much greater returns, and refinancing the debt which was used to make the acquisition, rather than focusing on operations in a British beer market shrouded in uncertainty following government intervention (Preece *et al.*, 1999: 11).

The nature of private and independent ownership also militates against German firms enacting the norms of financialisation. The large proportion of family owned private brewers has created a market in which firm activity is aligned with the institutional norms of the German variegation of capitalism, such as a dedication to long-term investments and an indifference to profit maximisation (Manow, 2011: 2), as opposed to the principles of financialisation.

“Don’t forget that out of the 1,300 brewers at least 1,000 are family owned brands [...] most are entrepreneurs, middle sized and they are not hooked up to the stock market and they really always have a long-term perspective” (Managing Director, National German Brewery, Author’s Interview, 2015).

This distinctive set of ownership characteristics, in addition to the relatively diminished presence of stock markets throughout Germany, can therefore be attributed to not only negating the permeation of financialised logics but also developing the beer market and benefiting consumers.

“It’s a good thing, you really can have a long-term strategy and the market is not very hot, it is always very sustainable” (Managing Director, National German Brewery, Author’s Interview, 2015).

This suggests that different competitive dynamics, caused in part by the varying degree of financialised pressures, produce nationally constituted patterns of corporate behaviour. The corporate philosophy of German brewers reinforces this argument and further exemplifies nationally rooted differences between British and German firms:

“Our owner does not want to be like a big company with a lot of products because his passion is to sell wheat beer. So you could do it to make more profit, get more profit, but this is not his motivation. Money, profit is not his motivation. I think it’s more the passion, it’s the wheat beer itself, the product itself” (Key Account Manager, National German Brewery, Author’s Interview, 2015).

The emphasis placed on product and quality, as opposed to profitability, value and maximising returns, exposes the differences between firms pressurised by financialised competition and those able to devote a greater focus to the operational elements of the business. In reference to contracts made with on-trade premises, the longer-term orientation of German brewers becomes further evident:

“We want to make the contracts in the long-term, so if the client says ‘I just want to have a contract for 1 year or 2 years’, that’s not so good for us. We could make profit with it but we say ‘no that’s not important, we want to grow with you and we want to be 5 years or longer in contract with you’. But you also have to make money, so it’s not only fun and traditional and everybody loves it, so some contracts you have to close them for two years but that is not our main aim, we want to have longer partners” (Key Account Manager, National German Brewery, Author’s Interview, 2015).

Generating profit is still critically important in terms of the viability of businesses but it is not the sole driver for the majority of German brewers and therefore negates the emergence of strategies based upon short-term profit maximisation. The unique character of the German market, particularly in terms of competition being based upon production as opposed to financial efficiency, has engrained a corporate philosophy amongst German brewers which militates against the enactment of financialisation.

In terms of pubs, the strategies of German brewers also appear to be more sensitive to local needs and trends. Whilst larger pubcos in Britain initiate contracts with international brewers and oblige tenants to buy these selected beers as a means of profiting from economics of scale, larger German brewers focus on the specific needs of the local market. As examples from Dortmund suggest:

“Our advantage is that Dr Oetker is the owner of the Radeburger group who make contracts with us, he is a German owner and he is promoting beers produced in Germany [...] they push the Dortmund companies [...] it is

regionally orientated” (Manager, Dortmund City-Centre Pub, Author’s Interview, 2015).

Linked to the locally oriented beer drinking culture, this demonstrates how German brewers prioritise market-centred demands as opposed to profit maximisation, revealing further distinctions between nationally framed brewing philosophies. Whilst this accurately portrays the present situation, following chapters discuss the extent to which external forces are transforming the strategic orientation of the German market and how brewers are becoming enrolled into and acceding to the norms of financialised competition (Fazel *et al.*, 2013).

Building upon the critical role of the geographical and institutional structures of variegations in capitalism shaping and mediating the processes and outcomes of financialisation, national characteristics of pub and brewing markets have therefore played causal roles in the emergence, or lack thereof, financialised business models and practices.

“I remember 30 years ago, 40 years ago, when I started with Bass, it had something like 8000 pubs in the UK which it owned. With the transformation of the company more and more pubs were sold and companies like Punch came into the picture, in Germany you didn’t have it. These businesses didn’t happen again because you had so many breweries, I think 40 years ago, we had perhaps 2000 to 3000 breweries, and each of them had a few pubs and bars, but nobody had 8000 [...] so it’s the history” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

Historical norms specific to the German brewing industry, as well as generalised elements and institutional norms of the variegation in capitalism, have therefore militated against the emergence of financialised business models and concomitant short-termism throughout the pub market. Comparing firm activity across both contexts therefore illuminates stark national variations in the extent to which patterns of behaviour and economic practices have been “reshaped to serve financial market needs” (Davis & Walsh, 2015: 2). The institutional, cultural and regulatory architecture of the German variegation of capitalism has proven to be much more resilient and robust in this respect, capable of impeding the pressures of financialisation, and this reinforces the causal and constitutive role of geography in its enactment.

6.5 Conclusion: financialised ownership structures and the geographically uneven closure of pubs

This chapter has located the firm within the geographies of financialisation through demonstrating the differentiated means and extent to which the principles and logics of financialisation have permeated the business models of corporations working throughout the British and German pub and brewing markets. Through analysing the intersection between finance and the firm across contrasting institutional contexts, this chapter has shown how pub ownership structures, in their variegated form, act as the prime conduit through which the imperatives and rationales of financialisation have been enacted and transformed pub geographies through closures. By doing so, and consistent with an institutional geographical political economy of variegated capitalisms, it has also demonstrated the worth in placing the firm at the centre of analyses of financialisation.

The preceding arguments have illuminated the nature of the relationships between financialisation and changing pub geographies, addressing the means by which important constituents of financialisation, such as debt, shareholder value and short-termism, have become embedded within the ownership structures of the dominant pubco model emergent in Britain. The comparative element has further reinforced the critical role of variegations in capitalism in shaping and mediating financialisation through addressing the relatively limited impact of financialisation throughout the German context.

Moving towards a finely grained understanding of financialisation, this chapter has problematised the “generic accounts of financialisation” which lack precision in regard to “specificities of new financial values and technologies” and how these unfold unevenly in grounded ways (French *et al.*, 2011: 809). Whilst financialisation “varies in terms of pace and form” between and throughout different forms of capitalism (Fasianos *et al.*, 2016: 8; Sawyer, 2014), this chapter has shown how it is not only geographical and institutional structures which constitute such variegation but also the relative agency of firms in terms of their logics, practices, ownership structures and business models which contribute to the inherent unevenness and heterogeneity of its processes and material outcomes.

Chapter 7: Financialisation and the tie

“It’s a house of cards; it’s going to fall down”

(Founder, North East Trade Press, in reference to the financial underpinning of the pubco model and prospect of further regulation, Author’s Interview, 2015)

Answering the call to “produce rich, contextualised research” on the processes of financialisation in grounded ways, this chapter addresses the intricacies of the phenomena in terms of individual pubs and by doing so moves analysis “beyond the usual financial industries, occupations and places” (Lee *et al.*, 2009: 736). The fundamental aim of this chapter is to explain how financialisation, through the securitisation of assets, gross indebtedness and the pursuit of shareholder value, has transformed the pubco-tenant and generated geographies of closures. The German experience is utilised to explain the differentiated role of financialisation, illuminating spatially uneven developments surrounding its impact in modifying elements of the pub operator and owner relationship. Crucially, this chapter explains how financialisation has transformed the ways by which pubcos conceive of their pubs, and in turn, through demonstrating how “financialisation flows over the boundaries of institutional sectors”, provides broader insight regarding the geographically uneven elements of the financialisation of non-financial corporations (Godechot, 2015: 4).

The chapter is divided into three main sections. The first section analyses the fundamental differences between brewing and non-brewing pubcos, particularly in

terms of their corporate strategies, and how this has been shaped by the growing influence of financialisation. The second section critically appraises the uneven role and material outcomes of financialisation in inducing the sale and disposal of pubs as financial assets. It links heavily to the core constituent of financialisation surrounding the re-engineering of firms into portfolios of tradeable financial assets. The final section of the chapter compares specific elements of the British and German pub operator/owner tie to reinforce the geographically variegated impacts of financialisation and how its processes are uneven in terms of both form and material outcomes.

7.1 “Vested Interest”: the difference between brewing and non-brewing pub operators

The aim of this section is to identify and explain the differences between brewing and non-brewing pubcos and by doing so demonstrate transformations induced by financialised ownership structures. It is argued that there are fundamental differences between brewing and non-brewing pub companies in terms of how they manage their estate and relate to their tenants. The claim that the “big six” brewers would have “been more likely to tolerate less profitable pubs within their portfolios” is scrutinised with the aim of attaining an understanding of the extent to which financialisation nullifies the ability of firms to tolerate underperforming pubs following the economic downturn (Sandiford & Divers, 2011: 771). The claim by non-brewing pubcos that they have a “vested interest” in the pubs they operate will therefore be analysed in comparison to the brewing pubcos which depend on their pubs as avenues to the

marketplace. Whilst different models exist, table 7.1 demonstrates the typical structural and operational differences between brewing and non-brewing pubcos.

Table 7.1 Characterising brewing and non-brewing pubcos

<p><i>Non-brewing Pubco</i></p>	<p>The dominant financialised pubco model.</p> <p>Uses centralised buying power to make deals with brewers and contractually obliges tenants to buy directly from them.</p> <p>Tend to be national. Own a mixture of tenanted and managed pubs.</p>
<p><i>Brewing Pubco</i></p>	<p>Brews beer and uses pubs as taps to the market. Tends to be regional. Own a mixture of tenanted and managed pubs.</p>

Source: *Author's own*

7.1.1 Asset-led or brand-led: growing pains under a financialised model of growth

For more than 200 years leading up to the Beer Orders in 1989, the British “brewing industry operated under the auspices of what was known as the vertical tie” (Bower, 2015: 647). With striking similarity to the present German market structure, brewers in Britain historically “owned and controlled pubs in a tight geographic area around each brewery to guarantee the distribution and consumption of the brewery’s production” (*ibid*: 1). Following the phase of restructuring induced by the Beer Orders, the “vast majority” of pubcos emerged to “take advantage of forced disinvestment by the beer

companies” (Hollands & Chatterton, 2002: 294). As the brewers owned thousands of pubs between them, preformed estates existed which were bought by emergent pubcos.

This transformation phase did however generate two distinctive operating models which have and continue to shape the market. The strategies of brewing and non-brewing pubcos can be categorised as being either asset-driven or brand-driven. Asset-driven refers to strategies which prioritise the acquisition of pubs and an ever-expanding portfolio of properties, in contrast to brand-driven, which typically involves owning fewer pubs and priorities the cultivation and marketing of brands.

“Brewers over the years have either gone brand-driven or asset-driven. The ones that were asset-driven probably struggled more than people like ourselves who decided a long time ago to become a more marketing led company and about the brand than the assets [...] we strategically and consciously over the years have decided to become more marketing and brand led than asset led” (Chief Operating Officer, Regional Brewing-pubco, Author’s Interview, 2015).

Financialisation encouraged the asset-driven model as extensive branding would not deliver the same amount of capital available through securitisation schemes and would therefore not “deliver to the bottom line” (Willmott, 2010: 529). In this sense, the core attraction of the asset-driven model relates to less risk through not being reliant on ephemeral market dynamics. The securitisation process instilled an operational logic into the pubco corporate culture which emphasised the importance of the asset due to the greater value capturing capabilities made available through its control. The appeal of the asset-led model was also fuelled by transformations induced by the Beer Orders concerning the Landlord and Tenant Act, a law which forced responsibility onto

tenants surrounding costs linked to insurance and repairs. Pubcos were therefore able to profit from the release of capital from securitisation and capture continuously growing revenue streams in the form of “upwards-only rental income”, whilst evading various costs and risks associated with property ownership (Bower, 2015: 657).

The pressures of financialisation essentially created the conditions whereby the “impetus” was to “grow by acquisition (whether contested or uncontested) to achieve market domination insofar as is possible in a never-ending upward spiral” (Preece, 2008: 1120). Rather than operating a relatively small estate and investing in the development of a strong brand, these companies, fuelled by the process of securitisation, aimed to grow their estates in order to benefit from economies of scale and centralised buying power when negotiating with brewers.

Whilst this was the case, diseconomies of scale emerged due to the sheer size of the companies. Firms such as Punch and Enterprise began to realise that “it was tough at the top” as they suffered both financially and operationally because of their “expensive trophy acquisitions” as the associated “discomfort of carrying debt in the billions of pounds” (Thornton, 2014: 154). The asset-driven form of expansion pursued by the larger pubcos therefore signifies the financialisation of the market, where the securitisation-based acquisition phase enhanced market share but simultaneously resulted in diseconomies of scale.

There are fundamental differences between asset-driven and brand-driven firms and this can be understood by comparing the brand-driven Adnams, a privately owned regional brewer, and the larger asset-driven pubcos:

“We look at ourselves as a brewery and we’ve got a brand that is very strong so for us the pubs are about the brand [...] I think we’re very much a brand led organisation. I’ve done some work on valuing that and it’s very, very significant. We know that if we’ve got a strong brand and a sustainable business then we’re going to be successful in the long-term, and that’s what we’re motivated by. If I’m honest with you we are motivated by an awful lot more than just profitability, you know we’re such a key part of the community, the quality of the beer is important etc.” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

In this sense, brewers appear to value their relationships with pubs to a much greater extent than their non-brewing counterparts, even if they do not own the physical asset. Brewers in both Britain and Germany expressed their desire to help the pubs they work with wherever possible, particularly in regard to “how to successfully manage their business” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015). This type of relationship captures the genuine vested interest and mutual dependency between both parties and is based on the belief on behalf of brewers that “we know that when they are successful, we are successful as well” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015).

Through encouraging acquisition, as tangible assets are easier to borrow against and acquire debt compared to intangible brand assets, financialisation has therefore produced an asset-driven business model which critics argue has been devastating for the market as it means pubcos “don’t have a vested interest in developing brands or developing the pubs” (Director, Business Support Group, Author’s Interview, 2015).

The asset-driven model also mutates other elements of the business, as rapid expansion has been blamed for inadequate tenant training, poor internal relations and the belief that pubcos “don’t take into account the community aspect which certainly the family brewers still do” (Director, Business Support Group, Author’s Interview, 2015). The focus on acquisition therefore reduces the tendency for pubcos to devote genuine care to individual pub businesses and contrasts greatly to brewing pub operators which typically own much smaller estates but are necessarily required to foster positive, mutually beneficial relationships:

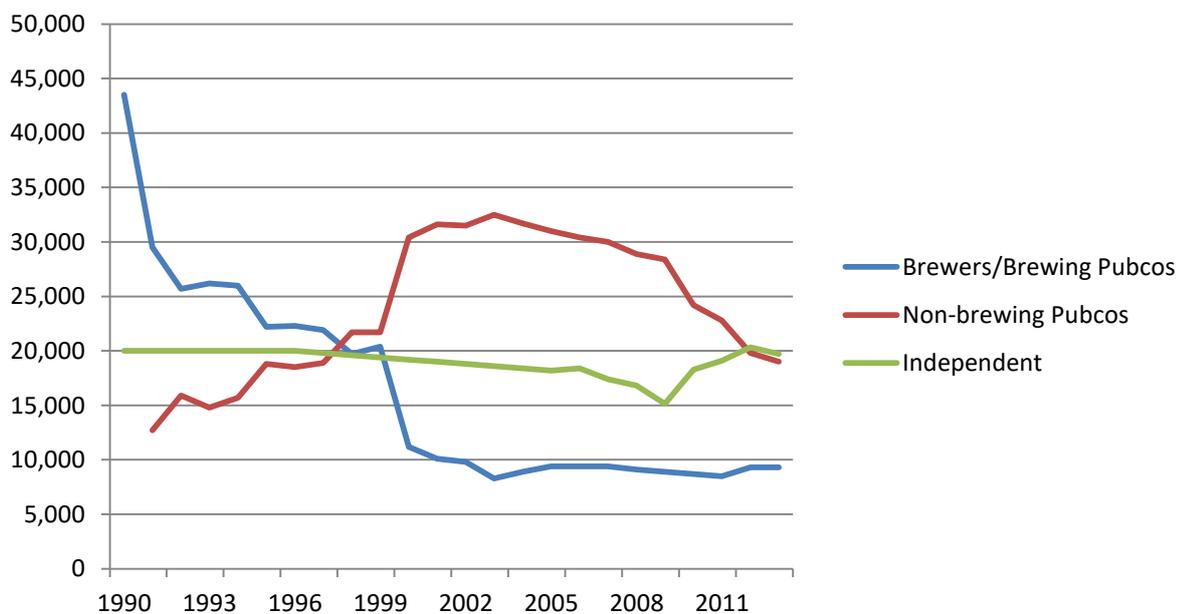
“I think they almost look at themselves as a property business, we look at ourselves as a brewery and we’ve got a brand that is very strong so for us [...] the pubs are about the brand” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

This statement illuminates a fundamental difference between the operating philosophy of brewing and non-brewing pub owners, as brewing beer necessarily instils a far greater degree of shared interest between the owning company and the individual pub business. As is explained in further detail when analysing the German tie, pub operators appear to enact the principles and practices of financialisation to a much greater degree when they are devoid of genuine shared interest in the operations of individual pubs. Non-brewing pubcos are thus more capable of treating their pubs as expendable financial assets due to the fact that they do not necessarily require them to be successful in terms of selling beer:

“At the end of the day they’re not producing the beer; they’re buying the beer in from somewhere and skimming an element off the top” (Founder, North East Trade Press, Author’s Interview, 2015).

The contrasting conception of pubs from brewing and non-brewing pubcos generates different operational strategies, particularly concerning disposals and acquisitions. Figure 7.1 displays the relative stability exhibited by brewing pubcos by the end of the 90s following disinvestment caused by the Beer Orders, suggesting a greater appreciation of pubs as long-term businesses as opposed to short-term cash generators, as well as demonstrating the sustainability of the brand-driven model.

Figure 7.1 Total number of pubs in Britain by type, 1990 – 2013



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

The fact that the asset-driven model is aligned with financialised modes of corporate governance also offers broader insight into the changing nature of brands and marketing under the pressures of financialisation. The predominance of the asset-

driven model in this circumstance demonstrates how expenditure on branding is no longer justified in terms of its ability to attract new customers or develop the reputation of a firm, but rather “warranted by its anticipated contribution to shareholder value” (Willmott, 2010: 534). Not only does this suggest that under financialisation marketing managers should be seen as “experts” in enhancing the ability of the firm to generate shareholder value (Lukas et al., 2005: 421), but also how the use of marketing to enhance the “positive symbolic meaning” of a brand “provides a necessary but insufficient justification for continuing investment in marketing” (Willmott, 2010: 528).

Financialisation has therefore produced an asset-driven business model which has resulted in the collapse of the era of the pub as a “shop window for the brewery’s products” (Preece, 2008: 1113). This asset-driven model has diluted the mutual dependency between owner and operator and facilitated a management culture which conceptualises pubs as assets to be manipulated for financial gain. Fundamentally, described as “shareholder driven, property owning companies”, non-brewing pubcos appear to be contributing to the long-term decline of pubs through operating an asset-driven model which extracts excessive profit from individual premises, neglects support and increases profitability through aggressive disposal strategies, ensuring that pubs tied to non-brewing companies are “more likely to fail” (Former Pubco Tenant & Campaigner, Author’s Interview, 2015).

Cultural differences throughout Germany concerning property ownership serve to mediate the enactment of financialisation over space. As preceding arguments have demonstrated, owning property provides the foundation through which financialised practices are enacted. A corporate culture less aligned with property ownership exists

throughout Germany which changes the form and reach of financialisation in comparison to the British context.

“We own some real estate as well, but the majority of our real estate is leased and that’s the channel and the structure here in Germany” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

This shows how contrasting cultures of ownership throughout both contexts constitute the spatial unevenness of financialisation and further demonstrates the role of institutional and geographical structures of particular variegations of capitalism in shaping and mediating financialised processes.

7.2 Pubcos or property tycoons: property versus pints

“The crash in 2008 really brought about what Mrs Thatcher had attempted to do.

Punch Taverns were valued at £500m but actually had £3.5bn in debt because they over extended themselves in the property boom”

(Director, Business Support Group, Author’s Interview, 2015)

Whilst preceding arguments have demonstrated how the securitisation process reconceptualised tenanted pubs as expendable financial assets, this section extends this notion further through arguing that the churn and disposal of pub premises reflects the financialisation of pubcos and demonstrates the geographical unevenness of its material outcomes. Through analysing the volatile nature of pub churn and the

transformation of pubs into alternative use premises, this section reveals how the permeation of financialised logics have encouraged pubcos to understand value in terms of the physical assets they own as opposed to the pub businesses which operate within them. The manipulation of pub estates reflects the broader transformation of non-financial corporations induced by financialisation, whereby which firms “increasingly perceive themselves like financial institutions manipulating balance sheets, as if they were managing a portfolio of assets” (Stockhammer, 2012: 46).

Prior to discussing the conceptualisation of pubs as expendable financial assets in Britain, it is important to understand the differences in terms of real estate markets throughout each political economy. The British variegation of capitalism, with liberalised property and capital markets, has strong cultural and historical attachments to tangible assets such as property. Unlike Germany, which exhibits a much weaker cultural attachment to owning property, the British institutional environment perceives property as a sound investment likely to yield significant returns. In addition, the proliferation of financialisation throughout LMEs is said to have “heightened the speculative, boom/bust character of real estate markets”, with “restless capital” or “hot money” intensifying rates of asset churn across sectors (Fainstein, 2016: 2).

In empirical terms, “pubs are attractive real estate” (Founder, North East Trade Press, Author’s Interview, 2015) and this has fostered an intense appetite for pub premises on behalf of both commercial and residential property developers. This section demonstrates how, through the combined impact of a predatory real estate environment and conception of the firm as bundle of financial assets, the pubco model emergent in Britain reflects the notion of the “disposable corporation” aligned with financialisation (Blackburn, 2006: 42).

7.2.1 Pubs as financial assets: pubco asset churn and the growing predominance of sale for alternative use

Analysing the scale and nature of pubco disposal strategies offers insight into the argument that the pressures of financialisation induce firms to “shed off underperforming branches” of operations in order to “raise the net worth of the corporation” (van der Zwan, 2014: 108). For pubcos, whether to invest or sell pubs has become subject to “preeminent criterion” surrounding what impact the decision will have on profitability, market capitalisation and shareholder value (Willmott, 2010: 528). Whilst acquiring pub properties underpinned the debt-fuelled expansion strategies which induced the financialisation of the market, selling pubs has proven to be a vital element of the pubco model. The expansion strategy of Enterprise for example “was based on rapid growth through acquisition financed mainly by debt” but relied on the asset backing of the estate which generated revenue via “selective disposals” (Higgins *et al.*, 2015: 675).

A transformation attached to the emergence of the pubco surrounds the erosion of the long-term sustainability of pubs through asset churn, a development which has seen premises “regularly shunted around from one company to another” (Thornton, 2014: 56). Churn serves to highlight the financial orientation of the larger pubcos, as the high frequency of trading illuminates the conception of pubs as financial assets, as opposed to long-term investment projects, which can be traded to improve balance sheets and enhance share price. Pubcos have “seemingly thrived on churn” as a means of achieving short-term financial demands, as “quickly as they purchased they would

pick out packages of their pubs which were poor traders, difficult to let or needed major expenditure, and sell them off” (Thornton, 2014: 55).

The importance of churn and asset ownership is exemplified by the experience of Enterprise Inns. Higgins *et al* (2015: 678) point out that the primary means of their success did not revolve around the “core business of vending beer” but rather resided in their ability to buy underperforming pubs, renovate them and then make a profit on their sale. This argument is supported by the fact that between 1996 and 2004 the sale of assets made up over 50% of Enterprise’s total revenue (*Ibid*, 2015: 13). Critics argue that over-indebtedness has also played a pivotal role in maintaining volatile levels of churn, where revenue generated from disposals is used to service debt:

“They do that (prevent defaulting on their loans) by selling pubs which have failed, because they’ve been asset stripped and no longer fit for purpose, they sell them in numbers equivalent to the amount of interest they’re paying from debt each year” (Former pubco tenant & campaigner, Author’s Interview, 2015).

Such pressures also ensure that there is no necessary responsibility to specific tenants on behalf of the pubco, as “there’s no great value to them in a long-term arrangement which says you have to be there for 30 or 40 years because it doesn’t matter”, as the ability to find a new tenant or sell the premises ensures them that “at the end of the day they’re getting paid” (Founder, North East Trade Press, Author’s Interview, 2015). Whilst the success of a pub is based on attracting and retaining customers, the logics of financialisation dictate success for pubcos in terms of share price and market capitalisation, a notion which encourages acquisition and disposal strategies as a means of enhancing short-term value and profitability.

This reinforces the notion that financialisation, and particularly securitisation, promoted the “acquisition and disposal activities” of pubcos as the primary means of meeting the majority of “operational and profitability goals” (Bouvier & Nisar, 2013: 593). In this sense, there appears to be different logics and rationales between running a successful pub and running a successful pubco. This distinction between corporate knowledges, where financialisation has induced a reduced economic reading of pubs as expendable financial assets, therefore not only fuels churn but also exposes pubs to a particular form of market discipline and heightened rates of volatility, in turn generating uneven geographies of closures and frequent changes in ownership.

The pubco experience of churn reflects broader elements of financialised capitalism, as pressures emanating from over-indebtedness and financial targets ensure a “constant churning of assets and so pressure on companies to maximise quarterly earnings” (Tabb, 2007: 2). It also demonstrates how financialisation has normalised churn throughout the British pub market, as the restless and ceaseless search for capital, a dynamic accelerated throughout the current episode of financialisation, promotes the constant circulation of assets as a means of making money and capturing returns.

Localised and often much smaller pubcos are taking advantage of the restless churn of assets by acquiring pubs from larger financialised corporations. This trend is reflected by the experience of Newcastle, where a number of smaller and independent operators have emerged to acquire viable pubs being sold to refinance pubco debt. Because of this growing trend, and the development of pubs exhibiting greater sensitivity to local customs, since the crisis:

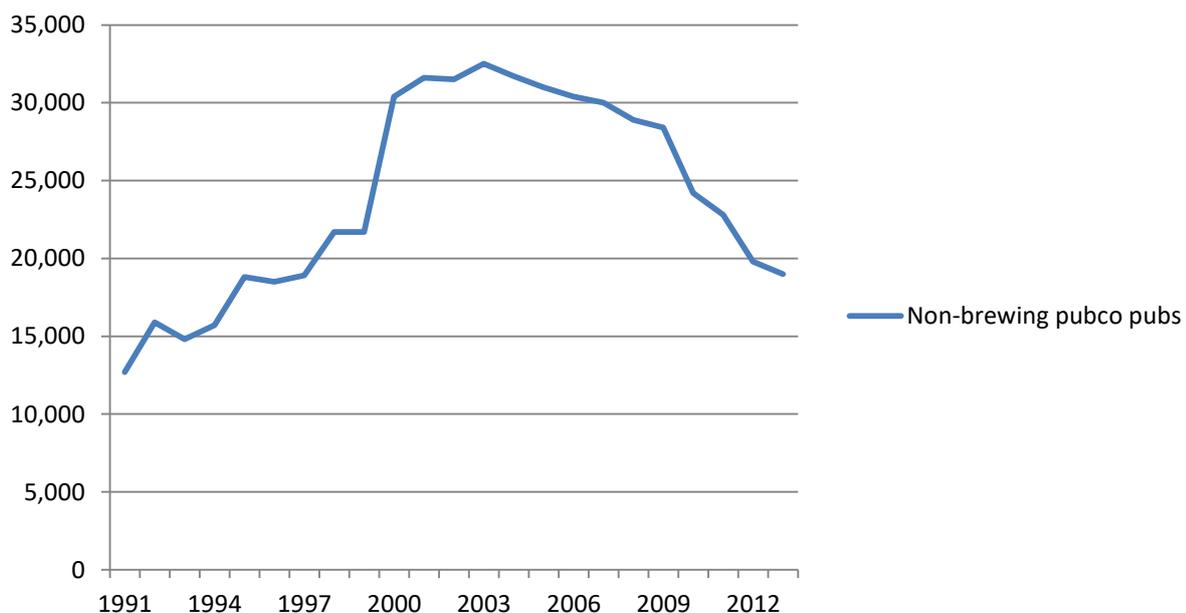
“The North East has actually done quite well [...] in Newcastle, for the number of people we have there are a number of very good pubs” (Founder, North East Trade Press, Author’s Interview, 2015)

This reflects a transformation from the pre-crisis environment when “branded superpubs” were entering the local market and restricting “opportunities for independent creative venues” (Hollands & Chatterton, 2002: 299). A strength of this qualitative approach therefore resides with identifying the nuances and subtle changes of ownership related to pub churn, where temporal unevenness in the enactment of financialisation led to the growth of a limited number of pubcos, followed by the resurgence of smaller localised firms inherently less exposed to financialised principles and practices. This also exposes the geographical dimensions of the outcomes of financialisation over time, where a debt-fuelled acquisition spiral has resulted in the geographically uneven redistribution of pubs and the proliferation of smaller, locally oriented business models.

In addition to pub churn, a more contentious issue surrounds the sale of pub property for alternative use. The demand for pub premises emanating from other sectors of the economy offers insight into the financialised logics of pubcos in terms of how they conceive their pub businesses and value their operations. The securitisation fuelled acquisition phase, as well as pressures emanating from indebtedness and short-term financial targets, have encouraged pubcos to operate under a “financial conception”, where pubs exist as part of a “portfolio of liquid sub-units” which management are encouraged to “restructure to maximise the stock price at every point in time” (Crotty, 2005: 88). Adhering to such a financial logic means that as a pubco “you look at the return you can get on retaining your site as a pub”, as the requirement to meet short-

term financial targets is necessarily prioritised over retaining pub premises or ensuring the long-term viability of specific business operations (Central Operations Manager, National Pubco, Author’s Interview, 2014). As Pratten and Lovatt (2002: 67) suggest in relation to the “desirable location” of many pub premises, “their conversion to a residential property can engender a lucrative increase in the capital value when compared with the costs of running a struggling business”. Figure 7.2 highlights the instability imposed on tenanted pubs by pubco disposal strategies.

Figure 7.2 Non-brewing pubco owned pubs, 1991 – 2013



Source: Author’s own; data obtained directly from contacts at the British Beer and Pub Association

The ability to readily trade and sell pubs therefore provides pubcos with a viable means of securing a short-term return on their investment. Geography necessarily

enters into the assessments surrounding these decisions, as the potential for the alternative use of a pub is dependent upon local property markets as well as particular socio-economic dynamics. Critics argue that the financial orientation and profit-driven aspirations of pubcos have eroded their duty of care towards the pub estate, made evident through their complicity in transforming pubs into alternative use premises.

“If they’re sat on a particular site that somebody wants, you know with its car park and everything else, they think ‘you know we can knock this down and we can put 30 granny flats here or a retail place’, they will do everything in their power, although they would never admit it, to put that business on its arse, to then board the place up, or put the steel shutters up or whatever, leave it for 6-8 months so that it can’t operate as it was, get a change of license on it and turn it into anything from a McDonalds, to a retirement home, to a Co-op. That is going on though they would never admit it” (Director, Business Support Group, Author’s Interview, 2015).

Advocates of the pubco model oppose this argument and assert that a pub is only transformed into alternative use when it “ceases to function as a viable pub”, as “most of the time the ones that close are the ones that the industry has not been able to make work” (Central Operations Manager, National Pubco, Author’s Interview, 2014). Financial pressures emanating for share price and quarterly earnings targets could however be influencing the decision making process surrounding disposals and reconstituting what defines a viable pub. Speaking of the experience of a North East pub, a local journalist argues that it is:

“An instance of a pubco, which had a pub, that didn’t appear to want it to be a pub anymore. Tesco came along, made an offer on it, the pubco handed it off

to Tesco [...] the locals fought it, the locals said ‘no this is our local pub, we think it’s providing fantastic services, like lunchtime meals for the elderly, a place for sports teams, and its somewhere we want to go to’ but the pubco said ‘well no we want to sell it to Tesco we want to let them turn it into a supermarket’” (Founder, North East Trade Press, Author’s Interview, 2015).

After the initial agreement, Tesco spent over two years applying for various planning permissions and “during that entire period the pub has remained opened, the pub was viable but the narrative being given by the pubco is ‘oh well this pub isn’t viable, it has to be closed, it has to be turned into something else’” (Founder, North East Trade Press, Author’s Interview, 2015). This exemplifies the financialised nature of the pubco by demonstrating their attempt to render the pub business unviable as it served to benefit from the sale of the property.

When a pubco is faced with interest payments attached to excessive debts, the threat of hostile takeover due to inefficient returns, or penalties linked to covenants agreed with securitisation schemes, the temptation to sell assets and recoup large amounts of cash in a very short space of time intensifies. In this sense, the genuine viability of the pub is seldom considered, as financial efficiency and profitability are prioritised:

“With some of the pubs that are closing down it’s got bugger all to do with not being able to operate and an awful lot to do with the fact that they’re worth more to that property company being turned into something else other than a pub” (Director, Business Support Group, Author’s Interview, 2015).

Snowdon (2014: 22) argues that if “pubs are being sold off to developers en masse, new pubs would open up to meet demand if sufficient demand existed”, meaning that

“the economic problem facing the pub trade is not lack of supply but lack of demand”. This argument does not however capture the role the pubco has played in diminishing the viability of the business, primarily through lack of training and investment, which enables them to sell the asset and also impacts future demand.

“The large pubcos have treated pubs as sources of profit for themselves and not as sources of profit for the individual pubs and they have done that by maximising the profit they take out of any one unit by increasing aggressive rent reviews and applying incrementally higher supplies costs, which have led the pubs to not being able to invest in themselves” (Former Pubco Tenant & Campaigner, Author’s Interview, 2015).

This shows the multiplicity of financialisation where its processes are clearly contributing to closures but also impacting future demand through transforming how individuals perceive and interact with pubs. Volatility and instability are therefore sure to plague the market through financialised owners conceiving pubs as “generators of cash and as assets to be bought and sold” (Preece, 2008: 1120). Disposing of assets and starving pubs of investment demonstrates how financialisation defines pubco success in terms of market capitalisation and share price, as opposed to traditional parameters surrounding the operation of pub businesses. There is however a “fundamental discrepancy between the expectations of capital markets for double-digit asset growth and the single-digit growth achievable” throughout most real economy markets (French *et al.*, 2011: 6; Froud *et al.*, 2000), and as experienced by pubcos, it has forced them to innovate in terms of accruing profit and resulted in the sale of assets in order to ensure financial efficiency and provide shareholder value.

Throughout LMEs the primacy of the shareholder and the influence of financial markets ensure that “firm and manager autonomy is more dependent on current profitability”, as opposed to a dedication to preserve “longstanding relationships” present throughout coordinated forms of capital (Collinson *et al.*, 2011: 10). The behaviour of pubcos reflects this disparity and exemplifies the prioritisation of market capitalisation and profitability, as the frequent sale of pub assets and heightened rates of churn signify the pursuit of short-term financial gains at the expense of long-term sustainability. This further demonstrates how managers of non-financial corporations “have imported the behaviours of financial markets” and how this has “impacted corporate investment and business decision-making” (Palley, 2007: 18).

The processes of financialisation can therefore be understood as being geographically constituted and expressed upon recognising how geography impedes on both the disposal and securitisation strategies initiated by pubcos. Decisions concerning disposals and acquisitions are undertaken on the basis of valuation data concerning the physical asset and the revenue stream, both of which are embedded within localised economic geographies. Table 7.2 explains this argument further and reinforces how “space and place” influence the “expectations and judgements about current and future prospects” attached to assets and revenue streams (Pike, 2006: 205).

Table 7.2 How geography intrudes on the financial valuation of pubs

<p style="text-align: center;"><u>Regional</u></p>	<p>Contrasting property prices ascribed to regions are important, as well as how much the operator can realistically charge consumers for products (e.g. North/South)</p>
<p style="text-align: center;"><u>Sub-regional</u></p>	<p>Pubs in rural areas have closed at a much faster pace than those in urban areas and particularly city-centres</p>
<p style="text-align: center;"><u>City</u></p>	<p>Inter-city differences are significant, city-centre property prices tend to be greater than residential or suburban</p>
<p style="text-align: center;"><u>Geographical type</u> <u>(Local/Destination/Gastro)</u></p>	<p>The relative location moulds how consumers perceive the pub (e.g. a destination pub which people typically have to drive to)</p>

Source: Author's own

Whilst swathes of the literature articulate financialisation as a geographically neutral process, the valuation of assets is necessarily impacted by the local geographies within which they exist, with valuations dependent on local property prices and local customer bases for example. Pubcos have therefore become sensitive to the role of geography in terms of shaping the value and future prospects of particular pub assets:

“There’s more interest in maintaining a city centre pub purely because it has a higher rental value as well as a higher property value” (Founder, North East Trade Press, Author’s Interview, 2015).

Securitisation and acquisition schemes must therefore necessarily be understood as geographical processes, an acknowledgement which ruptures the notion that financialisation abstracts assets and creates a vacuum through which monetary calculations and transactions occur. Whilst financialisation has therefore subjected parts of the real economy to the “abstract measures of value” attached to financial institutions (Panitch & Gindin, 2011: 8), these measures are necessarily intertwined with space and place and inevitably impacted by scalar economic geographies. The core constituents and processes of financialisation are therefore shaped and mediated by the particular elements of place, in turn constituting their inherent geographical variegation.

As opposed to an “inactive backdrop” (Pryke, 2006: 15), space and place shaped geographically sensitive strategies and the enactment of financialisation during the acquisition phase but have then been replaced by spatially blind disposal strategies following the crisis. The extent to which geography shapes firm strategy is however also uneven, with firms such as JD Wetherspoon adopting more geographically framed expansion strategies than other securitised pubcos:

“If you look at how someone like JD Wetherspoon expands it’s exactly the same way as say Waitrose expands, it’s by postcode and demographics. It knows precisely where it wants to go [...] the geography is absolutely vital” (Journalist and Beer Writer, Author’s Interview, 2015).

This not only reinforces the crucial role of space and place in shaping financialisation but also the critical role of firm agency in constituting the inherent variegation of its processes. The trading and disposal of pub premises therefore shows how financialisation has exposed pubs to a particular form of market discipline, which in turn has generated volatile levels of asset-churn and changed the role of the pub in Britain. As the nature of real estate in Germany and the fact that the pub structure is made up of lots of independently owned organisations militates against financialisation unfolding in the same way, this further reinforces the crucial role of the geographical and institutional structures of variegations in capitalism in mediating the processes of financialisation. Fundamentally, the frequent sale and churn of pub assets demonstrates the geographical unevenness of financialisation both in terms of its processes and material outcomes.

7.2.2 Alternative use and the Asset of Community Value regulations

As a response to pubs being redeveloped for alternative use, pressure from campaigners has resulted in proposed planning legislation from the government empowering pubs as assets of community value. This new form of planning legislation, aimed at protecting British pubs, proposes that an “ACV-listed pub will lose its rights to be demolished or have its use changed without planning permission” (The Guardian 26th January, 2015). What underpins the campaign behind ACV legislation is the perception of pubs as a “public good” through their role as “neighbourhood social spaces and generators of employment and wealth” (Roberts & Townshend, 2013: 1). A ministerial statement by Communities Minister, Kris Hopkins, summarises the ACV legislation:

“In England the listing of a pub as an asset of community value will trigger a removal of the national permitted development rights for the change of use or demolition of those pubs that communities have identified as providing the most community benefit [...] this provides the right balance between protecting valued community pubs, but avoiding blanket regulation which would lead to more empty and boarded-up buildings [...] blanket regulation could also have adverse consequences on the asset value of pub buildings, harming the financial viability of the pub industry” (The Guardian 26th January, 2015).

Research conducted on Shepherd Neame, found that over half of the 99 pubs they sold during the 1990s were transformed into alternative use premises (Neame, 2003: 29). Cases such as this are indicative of broader alternative use patterns existent throughout the market, where planning legislation permits pubs to be transformed into coffee shops, restaurants and supermarkets. There is however geographical dimensions to consider when analysing the ACV legislation and the protection of pubs. In places where property prices are much higher, the ability of local communities to protect pubs is negated.

“With prices so much higher in London, it is near impossible to raise the funds necessary to buy the pub as a community without the help of large grants or government funding. Keen developers can therefore target pubs for redevelopment and convert them into other uses behind the local communities back” (Spokesperson, National Campaigning Organisation, Author’s Interview, 2015).

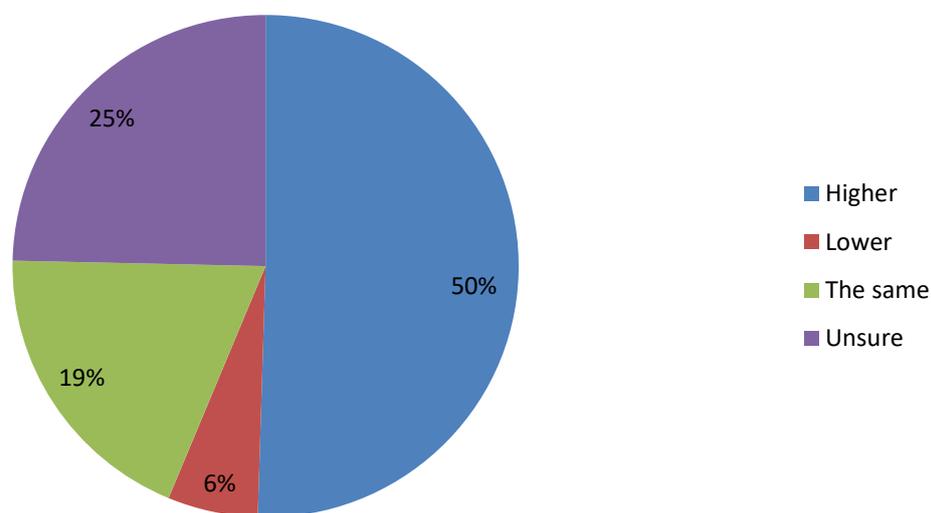
This clearly demonstrates a conscious effort to resist and even reverse certain implications induced by the financialisation of the market. Whilst financialised

practices have enabled the “transformation of real estate into a liquid asset” (Fainstein, 2016: 1), in this instance the process has exacerbated uneven development, induced volatility and insecurity, and in turn resulted in geographically disparate forms of resistance.

7.2.3 ‘Market Rent Only’: pubco panacea or cause for concern?

In addition to the proposed ACV ruling, pressure from campaigners has also resulted in government deciding to “redefine the relationship” between tenant and pubco through a Market-Rent-Only option which “allows, when a tenant requests, the granting of a free-of-tie rent and an ending of all product and service ties” (How to run a pub, 2015). The driving force behind this intervention resides with the belief that tenants pay above-market price for rent and supplies, exhibited by figure 7.3.

Figure 7.3 FSB Survey: Is the rent you currently pay to your pub owning company lower, higher or about the same as you would pay on the open market?



Source: Data obtained directly from contacts at the Federation of Small Businesses, 2015

The Market Rent Only (MRO) procedure is aimed at delivering “high levels of both transparency and certainty; that both parties can plan for in advance” and provide “important safeguards for tenants whose circumstances change radically through no fault of their own” (BIS, 2015: 13). CAMRA argue that the MRO option will “empower pubco licensees” as the ability “to choose between a tied agreement and a market rent only agreement” and “allowing them to buy beer on the open market at a fair price” will result in positive outcomes such as “more investment in pubs, better choice and ultimately fewer pub closures” (Spokesperson, National Campaigning Organisation, Author’s Interview, 2015).

Whilst these and other changes induced by the MRO are likely to “help ensure that tied publicans are not squeezed out of business by rents and wholesale beer prices set at artificially high levels” (Spokesperson, National Campaigning Organisation, Author’s Interview, 2015), this form of government intervention fails to adequately capture the broader motives and financialised logics shaping pubco strategy. Removing the revenue stream attached to wet-rent is likely to dissuade pubcos from further investment and accelerate disposal strategies as a means of guaranteeing a return on investment.

“Because of the profit the pub companies can make through the tie [...] if they have to be released from the tie then the rent that they will require will be such a higher level that it will be uneconomic and they would end up selling them” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Drawing similarities to the impact of the Beer Orders, the MRO legislation ignores the fact that many of the larger pubcos are far greater aligned to appeasing financial machinations and attaining short-term returns, as opposed to remaining and underperforming within the pub market. Upon acknowledging this, the MRO is therefore likely to pose as a “very real risk to investment” primarily due to the fact that pubcos will now be “faced with having to commit to some significant investments into pubs without the knowledge that you can keep your tenant for a period of time that allows you to get a return on your investment” (Director of Public Affairs, British Beer & Pub Association, Author’s Interview, 2015). The MRO therefore stands to instil “another level of uncertainty” throughout the market and could prove to be a trigger mechanism which encourages financialised pubcos to postpone investment and pursue greater disposal strategies, further exacerbating uneven geographies of pub

closures (Director of Public Affairs, British Beer & Pub Association, Author's Interview, 2015).

Described as their most "shrewdest move", Marston's provide an example of a pubco significantly reorienting strategy in the wake of the MRO, with growing profits and growing control over debt attributed to a "move away from the tie" towards a franchised and managed estate (FT May 18th, 2016). Enterprise Inns echo such sentiment, announcing plans to sell over 1,000 pubs and vastly increase the number of pubs they directly manage following the confirmation of the law (FT May 17th, 2016). This serves to illustrate the complex interrelationships between financialised business models, government intervention and the manipulation of the beer-tie, all of which contribute to changing pub geographies and spatially uneven material outcomes.

The MRO could therefore be seen as amplifying the financialisation of the market through further reducing the relationship between tenant and pubco to monetary transaction. By dismantling the wet-rent element of the tie, the MRO will further compound the erosion of the mutual dependency between tenant and pubco, as well as encourage further disposals as the only guaranteed means of capturing a significant return on investment. This form of intervention could therefore transform the tie into a standard commercial property relation and exacerbate operational problems ascribed to pubcos acting more like "property tycoons":

"If we were simply operating just a commercial property rent only business, first of all the rent would be higher because you know we haven't got that shared income, the fixed rent would be higher, and essentially we would have no interest in how that pub was performing. It would just simply be well 'I know times might be hard for you or this might have happened but we're in a

commercial rent only position here so just pay me the rent” (Central Operations Manager, Large Pubco, Author’s Interview, 2014).

Similarly to the Beer Orders, these forms of intervention fail to acknowledge the embedded financialised nature of firms and how an affiliation to profits and financial efficiency supersede any requirement to remain as pub retailers. In this sense, the MRO option may “mean that the relationship between tenant and landlord becomes purely commercial, a pure property relationship”, resulting in an interaction where “the landlord will just want the rent off the tenant and if the tenant can’t pay the rent one month then boom, they’re out” (Journalist, Pub Trade Press, Author’s Interview, 2015). This form of intervention therefore serves to dismantle the incentive for pubcos to invest in their estates, essentially meaning that they will “turn off the tap [...] as the incentive to invest will have been taken away” (*Ibid*).

As the “logics of financialisation jeopardise the long-term integrity of firms in favour of short-term returns” (Froud *et al.*, 2011: 6), intervention which fails to appreciate this notion and undermines a crucial revenue stream for pubcos will inevitably force them to establish novel revenue-generating strategies. As the market appears to act as a form of “corporate control”, where “managers are disciplined by the prospect of takeover and ouster if they fail to maximise profits” (Palley, 2007: 17), the likelihood of greater disposal strategies therefore stands to increase, alongside geographically uneven closures.

7.3 Comparing the ties: the variegated role of financialisation in transforming the relationship between owner and operator

This section analyses the relationships between pub owner and operator across Britain and Germany and in doing so demonstrates the spatially and temporally variegated role financialisation in terms of closures and the changing role of the pub. Whilst the tie for the British market concerns the contractual relationships between tenant and pubco, with no such business model existing in Germany, analysis resides with the relationship between independent owners and brewers which are based upon the initiation of exclusivity contracts. Assessing the nature, mechanisms and differences between these relationships serves to generate insight concerning the heterogeneous and uneven role of financialisation in inducing spatially uneven change through pub closures, as well as how variegations of capitalism and their institutional and geographical structures mediate associated processes and pressures.

7.3.1 The British tie: a conduit for financialisation?

Corporate norms induced by financialisation have resulted in the long-term viability, sustainability and profitability of firms being “prejudiced” by a growing prioritisation of short-term financial targets and metrics (Palley, 2007: 18). Pubco activity serves to reinforce this argument, as it is shown that pressures emanating from financialised competition have encouraged pubcos to utilise the tie as a means of extracting value from individual pub businesses. Financial pressures were exacerbated and impacted pubco strategy following the crisis, made evident by Table 7.3 and its negative impact on share prices.

Table 7.3 Punch & Enterprise share price decline in pence

	<u>Punch</u>	<u>Enterprise</u>
<u>2006</u>	507 (Dec 22 nd)	1353 (Dec 29 th)
<u>2009</u>	18 (Jan 30 th)	48 (Jan 30 th)
<u>% Change</u>	-96.5	-96.5

Source: Google Finance; Author's Own

The mechanics of the tie have enabled pubcos to treat the pubs they own as expendable financial assets and as a result tenants have consistently “complained of high rents and high beer prices” (Pratten, 2005 A: 345). The following arguments aim to demonstrate how the contractual obligations, application and manipulation of the tie by financialised ownership structures “can be catastrophic to the publican” and have generated geographically uneven pub closures (Nuttall, 2011: 13).

The beer-tie has been described as “one of the most inter-woven industrial relationships” in Britain due to the “multiple streams of payments running in both directions” (London Economics, 2013: iii). The beer-tie means that in addition to paying the owning company rent, tenanted pubs “are contractually obliged to buy their beer only from the pubco; preventing pub licensees buying on the open market” (Spokesperson, National Campaigning Organisation, Author's Interview, 2015). The complaint made in 2002 by the Federation of Small Businesses (FSB) to the Office of Fair Trading (OFT) captures the core grievances voiced by tenants, predominantly

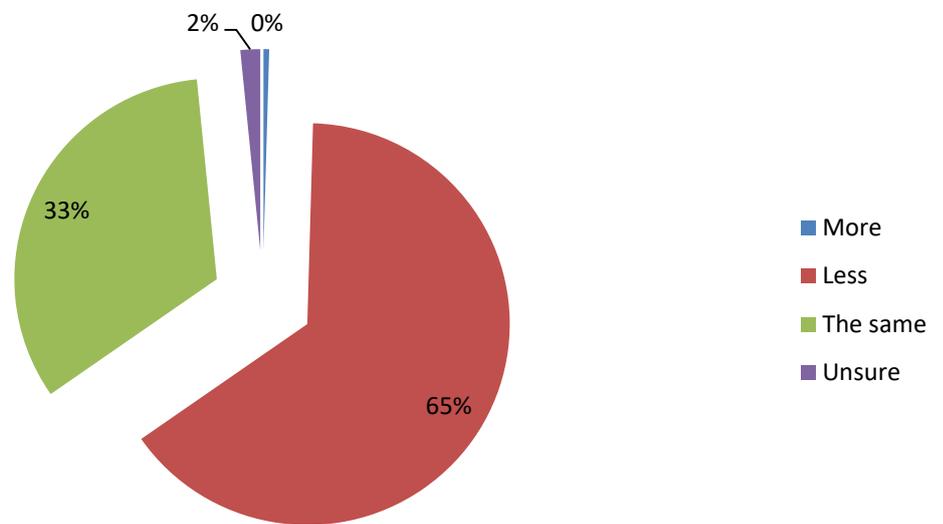
concerning above-market prices for supplies, “inadequate” support and unfair rent levels (Spicer *et al.*, 2012: 210).

Described as the “devil incarnate”, larger pubcos are said to be operating under a “model which isn’t really working”, with there being an “an awful lot wrong with a model which charges more for the beer than you get on the free market” (Director, Business Support Group, Author’s Interview, 2015). The wet-rent component of the tie exemplifies the extent to which pubcos aim to maximise value capture from individual pub businesses, with tenants often paying up to 70% more for beer than prices available on the open market (CAMRA, 2014). The process of calculating wet and dry rents has been described as being “characterised by opacity and fiat”, reflecting a lack of trust between pubco and tenant (Higgins *et al.*, 2015: 686) as pubcos are able to determine the price of beer and supplies without regulatory oversight:

“So whilst you sign up to a rent at £30k a year, with an RPI clause, and you sign up to a price of beer at £180 per 18 gallon barrel, you don’t know, you don’t have control and there’s no legislation regarding the way that price of beer will change [...] the wet rent is out of the tenants control” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

Figure 7.4 illustrates the impact of high supply costs on tenants, suggesting that both profit margins and trade may decline through increased retail prices placing them at a disadvantage with free-of-tie competitors.

Figure 7.4 FSB Survey: If you were free of tie would you charge more, less or the same for beer?



Source: Data obtained directly from contacts at the Federation of Small Businesses, 2015

Pubcos are profiting from centralised buying power aligned with the oligopolistic nature of British brewing and have essentially created an additional form of unregulated rent. Above-market beer and supply costs are therefore forcing tenanted pubs to increase their retail prices and in turn undermining the viability of their businesses:

“Some of them aren’t operating terribly well because they are having to follow a Punch model where they’re buying product that is overpriced [...] you see a lot of pubs that weren’t doing well as a leased property but all of a sudden they’re doing very well as a freehold” (Director, Business Support Group, Author’s Interview, 2015).

In addition, pubcos tend to increase the price of beer annually, meaning that:

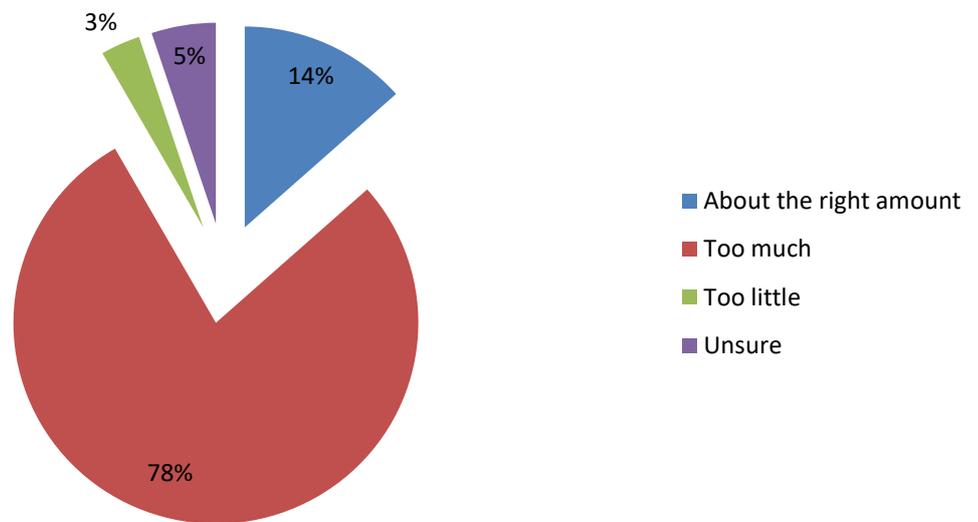
“In order for tenants to maintain their margins they have to put the price up to the customer and if they don’t do that then they end up swallowing the price increase, which means they’re making less and less money every year [...] if you’re a struggling tenant who’s seeing your beer prices go up every year and your customers disappearing, that’s a recipe for disaster” (Journalist, Pub Trade Press, Author’s Interview, 2015).

Problems surrounding the tie can be understood as a consequence of the financialisation of the market. Pubcos must necessarily extract and maximise value from pubs in order to appease financial machinations surrounding the servicing of debt, the provision of shareholder value and ensuring suitable rates of profitability in line with market expectations. Campaigners present a similar argument, asserting that the present system means that tenants “shoulder all the risk”, whilst “debt-plagued pubcos” act with the sole aim of “maximising their cut of any profits” (The Guardian 18th March, 2012).

A combination of overinflated rental and supplies costs have resulted in diminished profits for tenants and generated a pervasive feeling of discontent throughout the licensed trade (Pratten, 2005 A: 355). Dawn Hopkins of the Licensees supporting Licensees organisation argues that “when your business ‘partner’ takes the lion’s share of any takings through unrealistic rent and hyper inflated prices for stock then your chances are not realistic”, continuing to argue that “this unfair balance is, single-handedly, the biggest cause for pub failure in the present climate” (Fair Deal for Your Local, 2015). Such an argument is supported by data which suggests that “57% of tied licensees earn less than £10k a year”, demonstrating the extent to which pubcos

prioritise their own financial wellbeing at the expense of their tenants (Spokesperson, National Campaigning Organisation, Author's Interview, 2015).

Figure 7.5 FSB Survey: In terms of the split of your pub company profit, do you think the pub owning company takes too much?



Source: Data obtained directly from contacts at the Federation of Small Businesses, 2015

As figure 7.5 reinforces, because of their personal financial situation “a lot of tied tenants are very keen to escape the problems of the tie, as the pubco takes too much profit” (Policy Adviser, Small Business Expertise Group, Author's Interview, 2015). Transferring financial pressures onto tenants does not only harm their personal wellbeing but also serves to undermine the ability of their business to develop and adapt within a turbulent trading environment:

“There are lots of individual businesses that are keen to do stuff, want to take on more staff, want to diversify their product range, want to invest in their pubs and would do so if they were free of tie but unfortunately aren’t able to do that at the moment” (Policy Adviser, Small Business Expertise Group, Author’s Interview, 2015).

In this sense, financialised ownership structures have stifled innovation through restricting development and operational flexibility. It demonstrates how pubcos “wanted to take money out of the industry and starved it of investment”, as a response to the competitive pressures aligned with financialisation and how this resulted with a scenario in which “pubs can’t innovate” (Former pubco tenant & campaigner, Author’s Interview, 2015).

Campaigning bodies argue that the “fundamental problem is that these large companies make huge excess profits through inflated product prices and excessive rent costs”, which seems to suggest that the tie itself is not necessarily the root cause of business failure and pub closures but rather the financialised nature and behaviour of firms operating them (Spokesperson, National Campaigning Organisation, Author’s Interview, 2015). The financialisation of pubco business models has therefore transformed the very concept, meaning and nature of the beer-tie. Through inducing short-termism and value based management, the principles of financialisation have encouraged a reduced economic reading of the tie, as pubcos prioritise short-term profitability at the expense of the long-term stability and security of the tenant. As pubcos can readily employ new tenants and sell the property for alternative use, they are able to pursue financially oriented strategies with little regard for tenants and this reinforces unbalanced power relations.

“The landlord can throw in tens of thousands of pounds of savings but if the landlord fails the pub reverts to the pubco, they go and find somebody else and get the money off someone else as well” (Founder, North East Trade Press, Author’s Interview, 2015).

Rather than the inherent format of the tie being the fundamental problem, preceding arguments suggest that it is the financialised nature of pubcos and the means by which the tie is applied and manipulated which has generated closures throughout the tenanted estate. Short-termism and financially oriented demands have meant that “area managers are under pressure to increase revenue and they pass that pressure down to the managers and tenants, often in a very harsh way” (Regional Officer, Trade Union, Author’s Interview, 2015). Such behaviour has been labelled as “tantamount to bullying”, and emanates from the financialisation of corporate strategy which has “increased targets and pressure to increase revenue” (Ibid). Such pressure means that it is not uncommon for trade union representatives to have tenants, as well as managers, “on the phone in tears through their treatment and off sick with work related stress” (Ibid). This reinforces the notion that the financialisation of the pubco model, through the proliferation of value based forms of management and financialised competition (Feng *et al.*, 2001), has redefined the pubco-tenant relationship and reconceptualised the beer-tie as a mechanism through which risk is transferred and value is extracted.

“The presence of the tied model is sound, there’s absolutely nothing wrong with it [...] the problem since 1990 to the recession is the way it’s been applied [...] so as you went through the 90s and the ‘00s pub companies could probably have been accused of unfairly implementing them and it was the way they

were implemented, and rents were squeezed and wet rents were squeezed [...] they just stripped too much profit out of the tied operations to be sustainable for many of the tenants and that's where they got the bad name from and the tied model got its bad name from. But the tied model itself is sound, it's just the application of it" (Director, Chartered Surveyors Specialising in Pubs, Author's Interview, 2015).

Operating under the logics of the "financial conception of the firm", where successful corporate performance has been "redefined as the ability to maximise dividends and keep stock prices high" (van der Zwan, 2014: 107; Fligstein, 1990), encourages a particular utilisation of the tie which serves to threaten and undermine the viability of tenants and their pub businesses.

The manipulation of the beer-tie as a means of appeasing financial machinations therefore provides insight regarding financialisation and variegated capitalism. The pubco experience problematises the notion that "companies contribute to the maximisation of society's total wealth when they seek to maximise their own profits" (Parkinson 1993: 41), as the rationalisation of operations in the pursuit of profit maximisation has deprived tenants of their livelihoods, whilst simultaneously disrupted social cohesion throughout local communities via the uneven geographies of pub closures. Financialisation has therefore generated an "incentive structure" (Tabb, 2007: 2) for pubcos which does not prioritise the long-term sustainability of individual pub businesses and mobilises the tie as a means of appeasing financial machinations. Firm agency ensures that this process unfolds highly geographically unevenly and constitutes both the uneven enactment and material outcomes of financialisation.

Whilst commentators argue that the removing the tie is the only viable means of ending the financialisation of the market (Bower, 2015), evidence contradicts this position, as the norms of financialisation appear deeply engrained within the larger pubcos.

“The tenanted model is contentious, many wouldn’t be sad to see the death of it, but if it’s not abused and if its run properly then I think it’s actually a very good model for people to enter the industry [...] it’s not the tie itself it’s the abuse of the tie [...] the reform campaigners will ‘we’re not trying to abolish the beer-tie we’re trying to rid the industry of the abuse of the beer-tie’, they’re happy for the tie to remain in place if its enacted properly” (Journalist, Pub Trade Press, Author’s Interview, 2015).

The securitisation of assets, the pursuit of shareholder value, short-termism and the adherence to financial metrics and machinations, amongst other core constituents, signifies a broader and deeper permeation, where the mechanism of the tie is just one of many actually existing forms of financialisation. This particular use of the tie provides an example of how pursuing shareholder value and adhering to the demands of international finance diverts “financial market pressure onto other constituents of the firm” (van der Zwan, 2014: 107).

Fundamentally, the pressures ascribed to financialisation have transformed the conception of the pub:

“The industry is divided and conquered by large corporations who operate pubs for various reasons but largely to use them as sources of profit without any

intention of sustaining them as assets of community value” (Former Pubco Tenant & Campaigner, Author’s Interview, 2015).

This type of relationship reflects a form of “irresponsible capitalism” (The Guardian 18th March, 2012), where the principles of financialisation have induced management to manipulate the beer-tie for financial gain at the expense of tenants. Financialisation has therefore impaired the pubco-tenant relationship through inducing a “constant downward pressure on the tenant to do more with less” (Regional Officer, Trade Union, Author’s Interview, 2015). Being “increasingly dominated by and beholden to financial markets” (Palley, 2007: 18), the manipulation of the tie by pubcos ultimately demonstrates the unsustainable and volatile nature of financialisation, where enacting its principles and imperatives has transfigured the pubco-tenant relationship and in turn generated geographically uneven pub closures.

7.3.1.1 Contesting and resisting financialisation

As mentioned throughout preceding arguments, a balanced and textured explanation of financialisation requires an understanding of how its processes are not only mediated but consciously resisted. Whilst distinctions between British and German pub markets demonstrate how institutional norms shape financialisation in different ways, examples exist within the British market of actors contesting the normalisation of financialisation. The Beer Orders created the pubcos and the consequences of this transformation have been contested and resisted by a range of industry stakeholders (Bower, 2015).

As Bill Sharp, the Chairman of the Guild of Master Victuallers argues, campaigning bodies have acted as a response to financialised business models which have resulted in the closure of “far too many pubs” and are based on a “rental model that leaves many on incomes below a minimum wage” (Fair Deal for your Local, 2015). The pervasive sense of resentment exhibited by tied publicans, and the role their activism has played in forcing government intervention, serves to undermine the financialised nature of pubco business models:

“If the pubco is going to survive they are going to have to adapt and make their models more attractive to tenants [...] they are going to have to look at slightly different models in terms of how they do things” (Policy Adviser, Small Business Expertise Group, Author’s Interview, 2015).

Whilst the process of government intervention remains ongoing, it is important to recognise that campaigning activity serves to challenge the present pubco model. Any changes to the mechanism of the tie may serve to disrupt the extent to which pubcos are able to utilise pubs as expendable financial assets under the corporate logics and rationales of financialisation. Regardless of whether the introduction of ACV and MRO damages the market in the long-term, the introduction of such legislation demonstrates the ability and relative success of campaigners in challenging and disrupting the norms and pressures induced by financialisation. A degree of spatial variegation therefore emanates from financialisation not being “irrepressible” (Christophers, 2015 B: 198), as localised forms of resistance generate geographically uneven outcomes.

7.3.2 The German tie: shared interests, exclusivity contracts and brewery finance

The makeup of the national German pub estate varies greatly with its British equivalent. Whilst over a third of pubs in Britain are owned by pubcos, in Germany, the structure of the market is dominated by independent operators owning single premises:

“The difference between the UK and Germany is that in the UK you have big companies like M&Bs, Whitbread, Punch and whatever, and they basically run two, three, four thousand pubs and bars or restaurants, in Germany you don’t have that [...] we are already one of the big ones with our 43 bars [...] basically the business is operated by independent people, over 80% of the German pubs and bars are operated by individuals” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

This structure means that, in terms of financialisation, the most important component of analysis resides with the relationship between pub and brewer. In order to gain market share through the on-trade, the traditional relationship involves the initiation of exclusivity contracts, where pubs receive financial benefits and operational support based on an agreement to exclusively sell certain brands and products from a particular brewer. The nature of these contracts, in addition to the contrasting conception of pubs on behalf of brewers, serves to expose the limited role financialisation plays within the German pub and brewing markets:

“As a brewer you tie that person to your beer by saying ‘oh right, you need a new toilet, or you need a new bar, or you need a new cooker, we’ll pay for it’. So they don’t have anything quite the same as the tied pubco model” (Journalist and Beer Writer, Author’s Interview, 2015).

The contract typically means that the pub owners are tied “not only for beers but also for soft drinks, mineral water, all kind of this stuff”, meaning that “the only thing the pub owners are free to purchase are spirits and wines” (Managing Director, National German Brewery, Author’s Interview, 2015). Rather than an accumulation of capital attached to physical assets to be manipulated for financial gain, German brewers conceive the pub estate as a collection of business opportunities and potential long-term partners, a notion which is reflected in the nature of exclusivity contracts and relationships they initiate with independent operators. The data collection process revealed an enormous degree of satisfaction concerning exclusivity contracts on behalf of pub owners, where a balance between strong support and fair pricing created mutually beneficial and equitable relationships.

In many cases, upon gaining a long-term brewing partner, pubs then enter into additional contracts with spirits companies. A local operator in Dortmund for example, expressed satisfaction regarding their exclusivity contract with Diageo, the largest global spirits producer:

“I get discounts from them and they give me glasses and other supplies, anything I need I just say I need it and I get it” (Owner, Dortmund Cocktail Bar, Author’s Interview, 2015).

An important element of these contracts surrounds the provision of loans from brewers. Described as being the “banks” of the on-trade, mutual dependency between both parties has grown through pub operators becoming necessarily reliant on debt-finance from brewers:

“The pubs are usually owned by the owner and they do a long-term beer contract with the brewer and they are getting finance from the brewers for the new equipment, new lights and all the stuff they don’t get from the bankers. So the loans are coming from the breweries and connected with the loans is a long-term contract” (Managing Director, National German Brewery, Author’s Interview, 2015).

Breweries therefore play a critical role in ensuring the viability of the on-trade, with pub operators satisfied with the role they play in supporting and financing their businesses:

“In the beginning we needed money of course so they gave us cheap credit, better than bank credit, so this was very good [...] The beer price is then a little higher but for us it means there is no stress with the bank, you can always call them if you want to renegotiate, so for us it’s no problem” (Owner, Dortmund Music Bar, Author’s Interview, 2015).

The post-crisis economic environment has forced brewers into financing the on-trade primarily due to the reluctance of banks to lend to small businesses. Pubs, as well as bars and small restaurants, are therefore “dependent on the financing side from the brewery” due to the fact that banks and other financial institutions are “only willing to pay a small part of the capital” typically required to start a business or undertake developments (Director, National German Brewing Group, Author’s Interview, 2015). Although “patient bank provided capital has been a core element” of German capitalism for decades, the shift being witnessed throughout the pub and brewing markets reflects a broader transformation and demonstrates a more prominent role for non-bank financial institutions in the future (Hardie & Howarth, 2009: 1019). Whilst

German federalism and the associated reluctance of “regional governments to merge or even privatize their public sector banks” has halted external pressures to change, a shift in the relationship between firms and banks does seemingly suggest that “German finance will take further steps down the road to a more market-friendly model” (Lutz, 2000: 23/24). In terms of the uneven and restless expressions of capitalism, the growing influence of, as well as ease of access to global financial markets and networks, therefore provides a “means for firms to defect from the constraints of the local institutional environment” without necessarily implying an entire national transformation (Dixon, 2011: 202).

The particular characteristics of brewery loans represent a different form of financialisation. Exclusivity contracts containing finance packages are typically constructed like so:

“Somebody wants to open a business, they go to the brewery and say ‘I’m going to buy your beers for the next 20 years and you give me a loan of 200,000 or 300,000 Euros and I can build the place’. Then they pay back these loans via the beer price. So let’s say, one hectolitre of beer was a 150 Euros, he will then pay 200 Euros for a hectolitre of beer and with that 50 Euro difference he pays back the loan” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

This type of relationship, structured in such a way, demonstrates how the loan is not the primary method through which brewers aim to generate profit but rather the means by which they can attract independent operators into exclusively selling their beer for a substantial period of time, from which they will not only receive a greater income but also long-term stability, security and sustainability. Publicans value the

provision of finance as a great incentive to enter into “very long-term contracts” and this appears to be mutually beneficial (Director, National German Brewing Group, Author’s Interview, 2015). The pub is able to invest in refurbishments, technology and marketing under fair terms and the brewers “are able to plan in the long-term and also do financial planning with the premises”; reassured by the fact that they have a stable, long-term partner that has the capability to grow into a successful business:

“We are not just in the beer business we are also in the financing business in Germany, financing the on trade [...] we are a in a total of 70,000 on premises with our brand [...] So obviously it becomes quite a conglomerate risk (Director, National German Brewing Group, Author’s Interview, 2015).

The financing of the on-trade by brewers can therefore be understood as a different form of financialisation. Whilst being an alternative model which enrolls actors into financially oriented relationships, the interaction does not demonstrate the core constituents of the financialisation of the firm, such as shareholder value, rationalisation strategies and short-termism. Loans are not provided as a means of generating profit through interest but rather as a mechanism to generate mutual interdependency between the two parties and enable on-trade premises to grow and prosper, which, in turn, ensures that the brewer has a viable outlet to sell their products in the long-term. The provision of finance is therefore part of a broader strategy to capture and maintain long-term relationships with on-trade operators which are not based on short-term profit maximisation, all of which supports the argument that German firms are “less sensitive to current profitability” (Hall & Gingerich, 2009: 6).

While the relationship is based on the provision of finance, the relationship is not ruled by finance. Such long-term relations are a manifestation of the “institutionalised cultural patterns” present throughout the German variegation of capitalism which “promote long-term commitments and continuity” (Streeck, 1995: 2). This demonstrates how the relationships existent between actors across both pub and brewing markets are shaped and mediated differently across contrasting geographical and institutional contexts, resulting in spatially variegated expressions of financialisation.

Positive relationships are not however universal throughout the German market, with declining consumption rates forcing brewers to adopt new revenue generating strategies. Described as “modern contract slavery”, an independent wholesaler based in Dortmund asserted that exclusivity contracts are restricting the flexibility of pubs and forcing them to follow decisions which may harm their long-term prospects. An example was offered in the form of the Radeberger Group which made a deal with Pepsi, in turn forcing their associated pubs to exclusively sell that product rather than competitors (Private Wholesaler, Author’s Interview, 2015). In addition, falling profit margins are transforming the strategies of brewers and this may be reorienting their relationships with pub operators:

“Since beer sales are a key indicator of the success or failure of a pub, the relationship with the brewery can be particularly intensive, as in any relationship, sometimes good, sometimes not so good” (Spokesperson, German Hotel and Restaurant Association, Author’s Interview, 2015).

This suggests that external pressures emanating from declining beer sales may be eroding the traditionally stable and equitable relationships between both parties. As

beer consumption continues to fall these pressures can be expected to intensify and therefore the extent to which brewers search for additional revenue streams may stand to increase.

Preceding points demonstrate how the operational tie between pub and brewer in Germany reflects the broader principles associated with CMEs. The long-term nature of the relationship based on ensuring mutual success embodies the “local tradition of cooperation” prevalent throughout Germany, as well as the importance of “local circuits of capital” made evident by brewers investing throughout their region of operation (Dixon, 2011: 202). An adherence to such principles negates the opportunity for financialisation to be enacted and modify the contract, as a dedication to ensuring sustainable and equitable relationships demonstrates how the majority of German brewers are “more willing to support long-term investment strategies” as opposed to pursuing strategies based on short-term profit maximisation (Lutz, 2000: 5). The combined impact of geographically particular market norms and broader institutional obligations has therefore established a particular relationship between pub operator and brewer which is devoid of financialised pressure and results in financialisation playing a very limited role in generating geographies of pub closures throughout Germany.

7.3.3 Owning or operating: financialisation and vertically disintegrated market structures

Throughout Britain financialisation has not only encouraged the ownership of assets through the process of securitisation but also reconfigured the conception of pubs, rendering them as expendable assets to be traded under a short-term financialised

logic. The German market structure however negates the opportunity for pubs to be treated as financial assets, as brewers are necessarily required to establish and maintain positive relationships with pub owners in order to ensure the viability of their own businesses, in addition to less prominent cultural norms of property ownership throughout the German variegation of capitalism. The critical aspect of comparison in terms of financialisation therefore surrounds the “property owner element”, and how this enables British operators to enact the principles and norms of financialisation (Journalist and Beer Writer, Author’s Interview, 2015).

The fundamental difference between ownership therefore dictates the extent to which parent companies are able to respond to the pressures of financialisation and utilise the tie as a means of appeasing financial machinations:

“If you’ve got a situation where the company that owns the property has no interest in what exactly is going on with the business, so long as they’re taking the rent in, then the tie becomes a problem [...] I don’t think the beer-tie as it used to operate is necessarily the problem because at the end of the day it was linked to a brewery looking to sell their beer and they needed that good relationship [...] if a pub was struggling and wasn’t selling the beer, that’s harming the company that owns the property” (Founder, North East Trade Press, Author’s Interview, 2015).

Fundamentally, the ultra-competitive nature of the German brewing market has forced brewers to conceive of pubs as valuable routes to the market. German brewers are therefore “in contrast to British corporations”, as limited pressures from financialised competition have discouraged corporations from owning and trading assets, in turn ensuring that “they are really interested in keeping the pubs going”

(Author & German Pub Commentator, Author's Interview, 2015). Even in relatively rare cases when a brewer owns a pub and leases it to a tenant, as German brewers are not driven by the norms of financialisation and rather conceptualise pub businesses as crucial to their long-term success, owning the premises actually tends to "make the relationship stronger" (Spokesperson, German Hotel and Restaurant Association, Author's Interview, 2015).

In Germany, the mutually beneficial relationship only exists when both companies are operating and prospering cooperatively, whereas the benefits to be gained from the pubco model emergent in Britain are available both during and after the existence of a pub business, meaning that the natural impetus to "keep pubs going" becomes diluted when the owner is aware of and stands to benefit from trading pubs as financial assets.

"The ones that aren't so good are these retail operators, that really, it isn't a shop window, they're in there because it's a piece of property, they really don't give a bugger if it sells much beer or not" (Director, Business Support Group, Author's Interview, 2015).

The notion that a pub can be a "shop window" is crucial for analysis, as it demonstrates the role of financialisation in redefining and reconceptualising pubs throughout the British market. Rather than a shop window or tap to the market, the logics of financialisation have rationalised that corporate ideology through encouraging the prioritisation short-term financial targets and metrics. The Beer Orders therefore nullified common interests and allowed pub companies to be much more flexible, creative and even aggressive in terms of the creation and capture of value.

The contrasting relationships offer insight into the broader understanding of financialisation and variegated capitalism. The British tie reflects how financialised capitalism tends to construct corporate strategies which provide short-term benefits for shareholders and institutional investors at the expense of the long-term viability of the firm (French *et al.*, 2011). The German relationship however indicates a more equitable, sustainable and mutually beneficial relationship underpinned by cohesion and cooperation, as opposed to financial gain.

In adherence to the notion that the “dichotomy between types of capitalism is not static”, evidence surrounding the relationship between pubs and brewers across Germany may suggest a “move towards the Anglo-American business model, and this may be seen as a particular aspect of financialisation” (Collinson *et al.*, 2011: 10). Pressures concerning a growing desire for market concentration, changing consumer trends, and more “aggressive competitive strategies” linked to the greater presence of international operators, have created an “increasingly turbulent market environment” (Niederhut-Bollmann & Theuvsen, 2008: 64). As these competitive pressures intensify, brewers are becoming more aware of the need to “secure channels through owning the real estate of the pubs” (Spokesperson, Holding Company for German Brewers, Author’s Interview, 2015). In addition, “beer is no longer the core business” for a small number of the larger German brewers, with activities such as “building golf courses, renovating castles and opening beer gardens” being undertaken to not only enhance profit margins but to also subsidise underperforming or even failing brewing operations (Fazel *et al.*, 2013).

In this sense, German companies are “learning from the international markets” and this is reflected by the fact that:

“Big sized family brewers are trying to step into the distribution networks and buy out some companies to make sure that they have the distribution in their own hands” (Managing Director, National German Brewery, Author’s Interview, 2015).

These examples demonstrate change but offer no insight as to whether the drive for brewers to own pubs and extend operations is aligned with their traditional strategic focus surrounding the production and sale of beer, or whether it signifies a shift towards more financially motivated strategic preferences. Whilst there is very little evidence to suggest that this trend is intensifying, commentators argue that the relative decline of loans being offered as part of exclusivity contracts by brewers signifies a change in corporate strategy which increasingly depends upon greater control of pubs, the ownership of assets and the prioritisation of current profitability:

“It’s very, very difficult for somebody to get a brewery loan right now. Specifically the newcomers to the industry, it’s virtually impossible [...] there’s hardly any breweries doing this at the moment” (Managing Director, German Pub Retailer, Author’s Interview, 2015).

Rather than indicating “paradigmatic change”, analysis has uncovered subtle changes throughout the market suggesting a “complex processes of transformation, which sometimes advance and at other times hamper the advent of finance capitalism” (van der Zwan, 2014: 120). Whilst the growing trend of asset ownership may represent a similarity with the British market, reflected by the “ongoing consolidation process and growing competitive pressures” beginning to modify market-norms (Theuvsen *et al.*, 2010: 65), it would be inaccurate to suggest that this transformation is necessarily driven by financialisation.

This section has therefore shown that whilst finance is an “essential ingredient of capitalist accumulation”, the reach, power and character of financialisation reflects a sense of the place in which its practices and imperatives are enacted (Haiven, 2014: 155). Ultimately, a geographically sensitive analysis of the uneven unfolding of financialisation has highlighted the internal inconsistencies of each ideal-typical form of capitalism and problematised the degree of standardisation and homogenisation present throughout articulations of bank-based and market-based models (Sawyer, 2014: 25).

7.4 Conclusion: variegations of capitalism and the mediation of the financialised tie relationship

This chapter has explained how contrasting norms and cultures ascribed to variegations in capitalism shape and mediate the enactment of financialisation by actors, institutions and their procedures. The role of government, shareholder primacy and more general norms ascribed to the liberal form of capitalism have contributed to the financialisation of the pub and brewing markets in Britain and in turn, unbalanced relationships between pub operator and owner based upon an “accept it or leave” culture (Regional Officer, Trade Union, Author’s Interview, 2015). In contrast, the coordinated market structure and its differences in terms of ownership norms, the cultivation of long-term relationships and the perception of the firm as a social institution, have led to contrasting expressions of financialisation and constructed typically equitable relationships between pubs and brewers which tend to be mutually beneficial.

Financialisation can be understood as the determinant factor in transforming the relationship between pub operator and owner and this has contributed to pub closures in different ways across both institutional contexts. Actors across both markets inevitably conceptualise pubs differently but financialisation, and its role in transforming corporate and competitive norms, brings out these differences and distinctions more significantly in Britain than Germany, in turn contributing to closures and the changing role of the pub. Rather than a “unified and hegemonic process”, this chapter has therefore reinforced financialisation as a pluralised and “spatially variegated phenomena” (Lai & Daniels, 2015: 11), through explaining the geographically uneven unfolding of its core constituents, practices and processes across different geographical scales and contexts.

In opposition to the conceptualisation of financialisation as a “juggernaut” (Locke, 2014: 86), this chapter has therefore shown how a spatially sensitive and nuanced approach is able to rupture the “teleological overtones” present throughout those conceptualisations of financialisation as a “universal process”, where its core constituents are shaped, enacted, mediated and resisted by contrasting socio-spatial relations (Engelen, 2008: 114). Disparities between the form, reach and power of financialisation throughout the pub and brewing markets of Britain and Germany therefore further reinforce the causal and constitutive role of geography in its uneven unfolding.

Chapter 8: The extending reach of financialisation?

“Our regional brewer, Distelhäuser being a case in point, is now producing an IPA, a Blonde, not to mention a Stout and Porter. They see the way the wind is blowing and adapt as best they can. The bigger ones are also doing it, but perhaps with a little more cynicism, I'd say it's out of a fear of losing market share to the craft beer trend”

(German Beer Blogger, Author's Interview, 2015)

The aim of this to chapter is to identify and explain the extending reach of financialisation through analysing the emergence of the craft beer market and the decline of the family-run pub. The emergence of craft beer provides an opportunity to capture the growing influence of financialised competition and the decline of the family-run pub enables an assessment of how the pervasive nature of financialisation is not only transforming pub geographies but also modifying the traditional character and localised understanding of the pub. Both empirical contexts will therefore provide an opportunity to identify and explain the “pervasiveness of financialisation” (Beverungen et al., 2013: 114), and further articulate a geographically grounded understanding of the spatially and temporally variegated nature of financialisation.

The chapter is split into two further sections. The first section analyses the emergence of craft brewing throughout Britain and Germany, devoting particular attention to the contrasting corporate response to its growing popularity, before moving on to focus specifically on the role of BrewDog as an alternative to the normalisation of

financialisation throughout the global brewing economy. It will be argued that the strategies adopted by financialised corporations as a response to the emergence of craft change over space and time and represent the uneven yet “damaging and pervasive effects of financialisation” in both economic and socio-cultural terms (Pike & Pollard, 2010: 46). Secondly, the chapter explains the role of financialisation in contributing to the decline of the family-run pub throughout both contexts, demonstrating the unevenness of financialisation processes in terms of the changing role of the pub.

Understood as a plural set of processes and principles, this chapter explains the changing and evolutionary dimensions of financialisation which continue to drive transformations throughout domestic pub markets and the global brewing economy. Arguments show that financialisation is not necessarily a homogenising, omnipotent force but rather normalised and enacted differently across institutional contexts, further contributing to a finely grained and geographically sensitive understanding of its myriad of processes.

8.1 Financialisation and the craft beer revolution: enrolling actors into financialised competition?

Attached to financialisation is the emergence of financialised modes of competition. The traditional dynamics of brewing competition are centred on volume and production, as opposed to value and financial efficiency, where financialisation has introduced new forms of corporate knowledge and proliferated a reduced economic reading of assets, brands and activities. Brewers traditionally competed to produce the

most beer, reflected by a preference towards “volume” as opposed to “profit growth markets” (Ebneith, 2006: 121) but the orthodoxy of the global brewing economy, transformed by financialisation, is now based upon competing in terms of producing the most profitable beer. Greater emphasis nowadays is placed on brands, value, acquisition and being “lean and mean”:

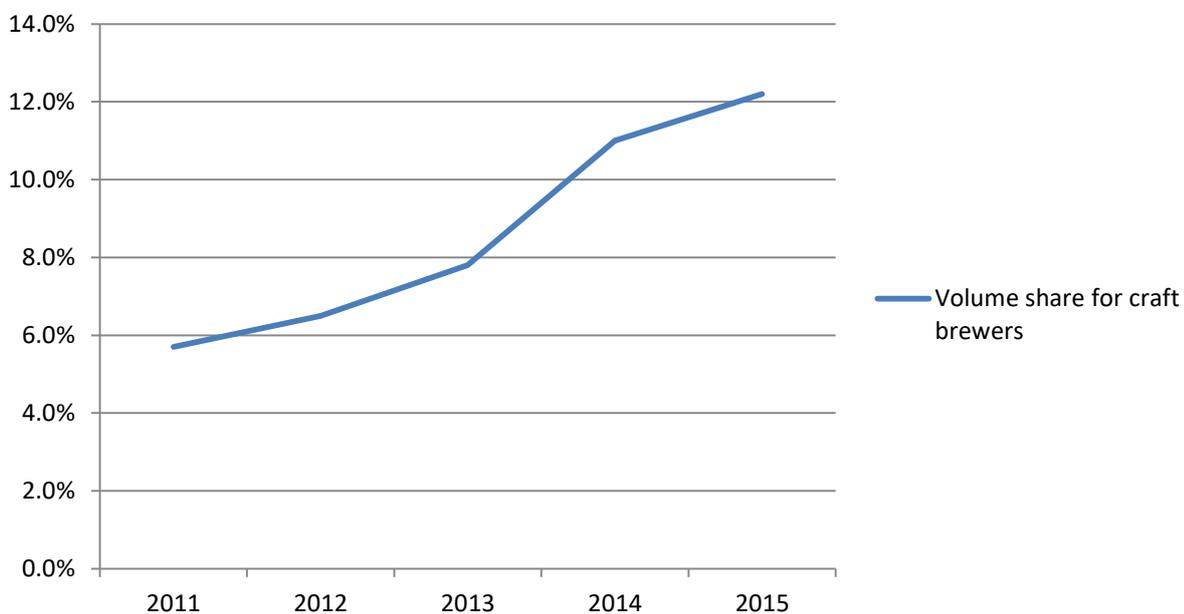
“The big ones are still looking, from a financial and fiscal point of view, to invest money by buying breweries. By getting them up to speed again on the technology front, with the latest technology enabling them to save on utilities, energy and water and all that kind of stuff. Then they might produce beer at a very good rate” (Director, European Brewing Organisation, Author’s Interview, 2015).

Through strengthening the importance of financial results and rates of return, financialisation has redefined competitive dynamics and induced a financially motivated form of competition throughout the global brewing economy which encourages takeover activity, rationalisation and market concentration. Strategies induced by this mode of competition have attracted a firm degree of “opprobrium” surrounding a perceived “insensitivity to local needs” through the restructuring and rationalisation of local breweries (McCaskey, 2007: 12). The aim of this section is to therefore assess the extending reach of financialisation in terms of its role in transforming the structure and nature of the craft market, as well as how the institutional and geographical structures of variegations in capitalism influence the ways by which firms respond to craft beer based on the norms of traditional or financialised competition.

8.1.1 Small firms big ideas: the emergence of craft as a response to corporatisation and industry homogenisation

The corporatisation, internationalisation and financialisation of brewing have constructed a global market dominated by a small number of firms with very similar management principles and ownership structures. The emergence of craft can be understood as a consequence of market concentration, where the acquisition of regional brewers by the dominant groups “created local niche markets that were soon served by specialty brewers” (Tremblay et al., 2005: 320). With no relevant data for the British or German markets, Figure 8.1 demonstrates the rapid growth of craft as a percentage of the total US beer market.

Figure 8.1 Growth of craft brewery share of total US market, 2011 - 2015



Source: (Brewers Association A: 2016)

For both Britain and Germany, the recent growth in craft can be explained by “the heavy concentration in the brewing industry, which left space for new entrants and created conditions for niche markets” in addition to “an increased level of sophistication in consumer’s tastes” (Cabras & Higgins, 2016: 615). Producers of craft offer alternatives to the “nearly homogenous” beer produced by dominant international brewers and in turn attract more affluent, product savvy consumers (Tremblay *et al.*, 2005: 320). Craft beers tend to be a far cry from the standard lagers produced by the dominant brewers and are commonly the result of experiments and innovations with different styles, flavours and ingredients in order to produce unique tastes. Not solely product oriented, the Craft Brewers Association argue that craft brewers must necessarily be “small and independent” and that if a “large brewer has a controlling share of a smaller producing brewery; the brewer is, by definition, not craft” (Brewers Association 5th December, 2012). Craft brewers must therefore exhibit particular qualities in relation to size, authenticity, transparency and corporate culture, as craft is depicted as a cultural response to the standardisation of beer on behalf of financialised global brewers.

The emergence of craft beer has been conceptualised as a “counter-movement” to mainstream brewing, emanating from consumer dissatisfaction with the “domination of increasingly standardised lager and light beers produced by increasingly fewer brewers” (Swinnen, 2011: 24). As a result, Harvey (2002: 4) accurately asserts that the growing power of international brewing groups has meant for consumers:

“if one drinks local brew now it is by choice, usually out of some mix of principled attachment to locality or because of some special quality of the beer

(based on the technique, the water, or whatever) that differentiates it from others”.

Whilst the craft beer market is part of much larger trends concerning market segmentation and fragmentation, it demonstrates how the internationalisation of competition has shaped the development of the market and also how conscious decision making on behalf of the consumer may serve to challenge the orthodoxy and normalisation of financialisation throughout the global brewing economy.

8.1.1.1 Craft in Germany: a productive response

Whilst craft has challenged mainstream domestic beer markets to varying extents, commentators have argued that the Reinheitsgebot has hindered the development of craft throughout Germany. Crouch (2008) for example argues that the “strict adherence” to purity law has meant that German brewers, “known for their technical savvy and innovative dexterity”, have not played a major role in the emergence of craft beer. This is however disputed, as the contentious definition of craft has resulted in many independent German brewers arguing that they have produced similar beer for decades:

“These breweries, for them, they are often many times saying that ‘okay when you talk about craft beer that’s what we’ve been doing for the last 300 years’.

So historically the situation in Germany has been different in terms of, especially in Bavaria, there were never these monopolistic big industry brewers that were dominating the market like in other European markets for example, but there has always been quite a variety of a lot of brands. So for them it’s

difficult because they say ‘okay what’s so new about it’” (CEO, Regional German Craft Brewery, Author’s Interview, 2015).

As an extension of the localism movement discussed in preceding chapters, the emergence of craft can be conceived as part of a broader phenomenon being witnessed throughout a number of sectors within Germany which threatens to undermine the practices of financialised leisure and drinks firms:

“I think it goes hand in hand with a trend that you can also see in the food sector, that people are starting to ask questions about what they are actually eating. They want to know about meat, they want to know about the farmer that raised the cow you are eating [...] with that there are also people asking questions about beer, where’s the beer coming from, and can I know the guy who’s made it [...] It’s a bigger trend, a bigger movement, that’s not just about beer here in Germany but it’s taking craft beer along the way as well” (Journalist, Craft Beer Magazine, Author’s Interview, 2015).

As part of this “brewing revolution”, national brewers are becoming increasingly aware of how consumers are beginning to demand “authenticity and choice” as well as a “higher quality, more flavoursome beer” (FT 15th October, 2013). Analysing how firms across both variegations of capitalism respond to this growing trend offers insight into the role of financialisation in shaping corporate strategy. The emergence of the craft beer market can therefore be understood as a test for the larger brewers whose collective response appears to demonstrate some constitutive logic which reflects the norms of the broader political economy.

In the past decade the “unique product characteristics, organisational structure and different marketing approach” ascribed to the craft brewing has enabled it to grow at a much faster rate than the traditional beer market (Kleban & Nickerson, 2011: 34) and throughout Germany, brewers have reacted to the popularity of craft predominantly through product innovation and the development of new brands. Such a response can be understood as being based upon the traditional form of competition, where the competitive dynamic revolves around production and scale. The ability to retail craft beer at relatively higher prices also poses as an opportunity for the larger German brewing groups:

“The psychological means for the regular German audience, they’re used to paying no more than 60 or 70 cents for a good half litre of beer. Now what is happening is that the craft brewing scene has sort of recruited a new audience that is willing to pay 2.5 or 3 Euros for a small bottle and this is where it becomes interesting for the big brands because as soon as the audience is willing to pay more money, everybody wants a piece of the cake” (Journalist, German Bar Magazine, Author’s Interview, 2015).

In a relatively weak beer market where margins tend to be low, brewers conceive the emergence of craft as an opportunity to capture greater market share and produce more beer than their competitors:

“It is still a small market in Germany and I really don’t know if people will pay much more for craft beer than for a very good ‘normal’ beer as you can buy such cheap beer in Germany [...] but you’ll also have a small amount of people who will pay more money for more taste” (Owner, German Craft Brewery, Author’s Interview, 2015).

In relation to the changing role of the pub, German brewers are also developing craft brands as a means of remaining present and competitive throughout the on-trade market. As a growing number of customers demand craft beer, brewers must ensure that tied pub operators have access to certain brands and styles to remain competitive.

“The interesting thing is that the larger breweries have to pick up competition, especially the independent gastronomies, the pubs, restaurants or even hotels, which are the very important market for the larger breweries, some are changing towards the more individual product [...] this is a new situation and we see this happening right now with the becks campaign, or brands like Bitburger, they are starting into a new market with new types of beer, new brands that they’re trying to push forward” (Journalist, German Bar Magazine, Author’s Interview, 2015).

These strategies can therefore be understood as a productive response to craft which is based on the traditional competitive dynamics of brewing. However, as the British context reveals, the agency of actors and the role of geographical and institutional structures ensures that the extending reach of financialisation is uneven in both form and outcome.

It must also be stressed that craft beer is unleashing uneven impacts, particularly in terms of where its presence is most felt. Working-class cities such as Dortmund, where the local market is dominated by the Radeberger group, have experienced a limited emergence of craft compared to cities such as Berlin and Munich.

“We have a new beer scene on the rise but it has nothing to do, or not much, with the traditional pubs that have always been there, especially in a working class city like Dortmund [...] traditional areas sort of function differently depending how powerful the industrial breweries are, Dortmund is probably an example of the slower advancement of the new beer philosophy or variety” ” (Journalist, German Bar Magazine, Author’s Interview, 2015).

This reinforces the regionality and sub-national heterogeneity of the German brewing industry, suggesting that local and regional markets may be more protected and less susceptible to change through external forces due to the structure of the market. As craft offers the potential to attract more consumers, a relatively limited emergence therefore suggests the development of pubs in cities such as Dortmund may be hindered.

8.1.1.2 Craft versus crafty: the emergence of craft in Britain and a financialised response

The development of the craft market in Britain has been very different, as dominant brewing groups prefer to acquire the smaller craft brewers, centralise their production and utilise their brands, as opposed to developing new styles and products. This reflects the contrasting political-economic landscapes, where financialised modes of competition throughout Britain encourage market concentration through acquisition.

Craft brewers have differentiated themselves and gained a competitive advantage through “product quality, consistency, freshness and taste”, as well as developing strong localised brands and identities (Kleban & Nickerson, 2011: 36). The

standardisation and homogenisation of the mainstream beer market means that competing via product innovation embodies greater risk and is deemed to be less financially efficient. Larger brewing groups that operate under the demands of financialised competition are therefore “afraid that the whole market will go so differentiated and so heterogeneous that it will be difficult to control”, and in turn pursue mergers and acquisitions as a means of retaining market share whilst matching standards set by international finance (Director, European Brewing Organisation, Author’s Interview, 2015).

In 2015, SAB Miller acquired Meantime, a successful London-based craft brewer. Upon gaining entry into the “fastest growing segment of the UK beer market” (BBC 15th May, 2015), Sue Clarke, Managing Director of SAB Miller Europe, celebrated the acquisition, arguing that through being “at the forefront of the modern craft beer movement in the UK” Meantime are bound to be a “special new addition to the SAB Miller family” (SAB Miller 15th May, 2015). ABInBev have also quenched their “thirst for craft beer” through acquiring Camden Town Brewery, a London-based firm which produces close to 70,000 hectolitres per annum (FT 21st December, 2015), bringing their total expenditure on craft brewery acquisitions to approximately £150m (The Guardian 8th November, 2015). As M&A activity signifies the maturing of the craft market, the extent to which independent breweries become enrolled into the financialised forms of competition intensifies.

The acquisition of craft brands by international brewing groups has fuelled a craft versus crafty debate, where commentators argue that dominant brewers are eroding the artisan and independent nature of craft beer. The mass-production of so-called “faux ‘crafty’ beers” is said to be misleading consumers as the products “appear to be

created by small-time operations while actually being produced by the world's largest brewers" (TIME 27th December, 2012). Such disapproval is indicative of the broader philosophy surrounding craft, where the nature of the firm and the production process are as equally important as the taste of the beer.

"Craft beer is also a lot about transparency, authenticity and that's kind of the opposite of what the big conglomerates are standing for. For example in the case of Bitburger they have introduced their own craft beer label called Craftwerk [...] but in the craft beer scene that we are operating in they don't have a very good standing. So for them it's very difficult to get attention in the craft beer industry because people have prejudice towards big industry" (CEO, Regional German Craft Brewery, Author's Interview, 2015).

This observation demonstrates how craft is more than just innovations in taste and rather represents a response to the corporatisation, homogenisation and financialisation of global brewing. The failure of the larger brewers to successfully penetrate and dominate the craft market could therefore be attributed to their own financialisation, where the rationalisation of operations, the standardisation of products and their dedication to shareholders and financial machinations stifles innovation and fails to satisfy evolving consumer preferences. Financialisation can however be understood as disrupting the independent, local and authentic nature of craft brewing through inducing acquisition strategies, as John Gapper suggests in reference to ABInBev's purchase of Four Peaks Brewing:

"when a US-Belgian conglomerate with Brazilian shareholders buys a Scottish-style ale made by a craft brewery in Arizona to give itself authenticity, the world has gone mad" (FT 13th January, 2016).

Preceding chapters have explained how the financialisation of British brewing reconfigured the competitive dynamic of the market and how associated transformations rationalised product portfolios, encouraged corporate takeovers and induced value based forms of management. The nature of competition amongst craft brewers is however distinctly different. The product oriented mode of competition means that the standardisation and homogenisation of British brewing, in part on behalf of the pressures of financialisation, renders the majority of larger brewers incapable of effectively competing with independent companies in a way which matches the demands of shareholders and stock markets (Kleban & Nickerson, 2011: 36). Craft brewers compete, interact and relate with one another without the constraints and pressures aligned with the core constituents of financialisation at firm-level:

“They cluster, and don't mind the competition [...] indeed, they say they help each other out over distribution and occasional supply shortages. Run out of yeast? A brewery half a mile away by bike will let you have some” (BBC 30th December, 2015).

Under financialised competition the sharpness and power of financial interests are far greater, with global brewing witnessing a shift from the prioritisation of product-centred logics to market capitalisation and financial efficiency. The global brewing economy has therefore become aligned with the notion that “value is the defining dimension of measurement in a market economy” (Koller *et al.*, 2010). The acquisition of craft brewers by financialised firms represents this notion as well as the transformative power of financialisation, demonstrating how “confrontation and

aggressive pursuit of profit are emerging in areas in which trust-based relationships prevailed” (Dembinski, 2009: 10).

As the craft market is attractive to financialised business models through enabling brewers to sell highly profitable beer, the acquisition of craft brewers can therefore be understood as the extending reach of financialisation, as a market segment “sustained by alternative finance” (The Memo 30th October, 2015) is being enrolled into and exposed to the norms and pressures of financialised competition. Craft brewers in certain environments have therefore become the fuel for financialisation, a process which induces highly geographically uneven material outcomes.

However, the heterogeneity and independent nature of the emerging market, in addition to the pervasiveness of financialisation, suggests that craft brewers may commence operations with the aim of being bought by larger corporations. This opposes the widespread assumption that craft is necessarily based upon a response to corporate homogenisation but rather an opportunity for financially oriented entrepreneurs to make money. Further research is required to properly address the range of personalities, knowledges and corporate aims ascribed to producers of craft and how these are shaped by financialisation.

As a means of rupturing those relatively rigid VoC approaches where a “focus on variation *between* national economies necessarily means that differences *within* national economies are downplayed”, sub-national heterogeneity must be acknowledged (Allen, 2006: 75 – emphasis in original). A more nuanced understanding dictates that sub-national variations and firm agency ensure that corporations respond differently regardless of broader institutional norms. Such a notion is exemplified by British brewers entering the craft market through product innovation and German

brewers doing so by M&A strategies. An example in Britain resides with Greene King and the opening of a craft beer pub concept in Cambridge which offers “an extensive choice of craft beer and cask ale sourced from local, national and international breweries” (TPMA 12th February, 2015). In addition, whilst the norm so far in Germany has been product innovation, commentators are wary of the growing threat of M&A activity disrupting and changing the craft market.

“It’s something that I’ve not seen happening in Germany yet, but I tell you, I’m really waiting, sort of checking the news every day for the first thing like that to happen. Some have placed a bet that Crew Republic might be the first craft brewer that might be sold or taken over by one of the big brands. Like what has just happened in London with SAB Miller taking over Meantime, with a shock for many in the craft business, but we don’t have that happening yet in Germany. But I think some are speculating on that and building up brew projects with the intention of one day getting an offer that they can’t refuse” (Journalist, German Bar Magazine, Author’s Interview, 2015).

Contrasting corporate responses to the emergence of craft beer not only illustrate the extent to which firm strategy is influenced by the geographical and institutional structures of variegations of capitalism but also how firm agency ensures the geographically uneven enactment of financialisation. Whilst therefore taking different forms across institutional contexts, the core constituents of financialisation at firm-level are transforming and increasingly driving modes of competition. In this sense, the extending yet uneven reach of financialisation can be understood through its role in transforming and subverting a market where, as professional beer writer Jeff Evans argues, the product is made to “please the customer rather than the accountant” and

where beer is “brewed with care and thoughtfulness rather than just turned out at the press of a button” (British Beer Renaissance, 2015).

8.1.2 “Equity for Punks”: alternative small-firm finance and the case of BrewDog

Whilst preceding chapters have analysed the financialisation of global brewing, instances remain where the norms of this transformation have been opposed and resisted by a number of brewers exhibiting disparate business models and corporate philosophies. The emergence of BrewDog, a brewing pub operator described as pioneering craft beer, can be conceptualised as a counterforce to financialisation and the associated orthodoxy of mainstream brewing.

Whilst producing a different version of the same product category, the mainstream and craft beer industries work relatively independently and can be understood through the contrasting business models ascribed to each market.

“The craft beer market is now very separated from the regular beer market [...] it’s a very different approach and these markets work totally independently, also in terms of the retail structure and the distribution structure” (CEO, Regional German Craft Brewery, Author’s Interview, 2015).

Representative of the majority of actors operating throughout the craft market, elements of the BrewDog organisational structure and their strategies vary significantly with “regular beer producers” due to a stronger focus on quality, innovation and community engagement (Kleban & Nickerson, 2011: 36). Founded in 2007 by Scottish entrepreneurs James Watt and Martin Dickie, in under a decade BrewDog has grown from a small brewing operation with an annual output 1,050

hectolitres, to a globally recognised brand which brews over 134,000 hectolitres a year, has over 32,000 shareholders and employs 540 people (BrewDog, 2015 C). BrewDog has been chosen as a case study for this thesis as it represents a limited amount of larger craft brewing organisations which have maintained their relative agency and independence from the norms of the financialised global brewing economy. As a relatively atypical example, the growth of BrewDog into a globally renowned brand therefore challenges the omnipotent understanding of financialisation, demonstrating the success of firms in deviating away from and resisting the pressures of financialised norms and competition.

A clear contrast exists between orthodox international brewers and BrewDog in terms of the use of financing techniques to realise growth strategies. “Equity for Punks” was launched in 2010 and aimed to capture investment through crowdfunding by offering equity via the BrewDog website. Whilst there is no great academic consensus, crowdfunding has been defined as:

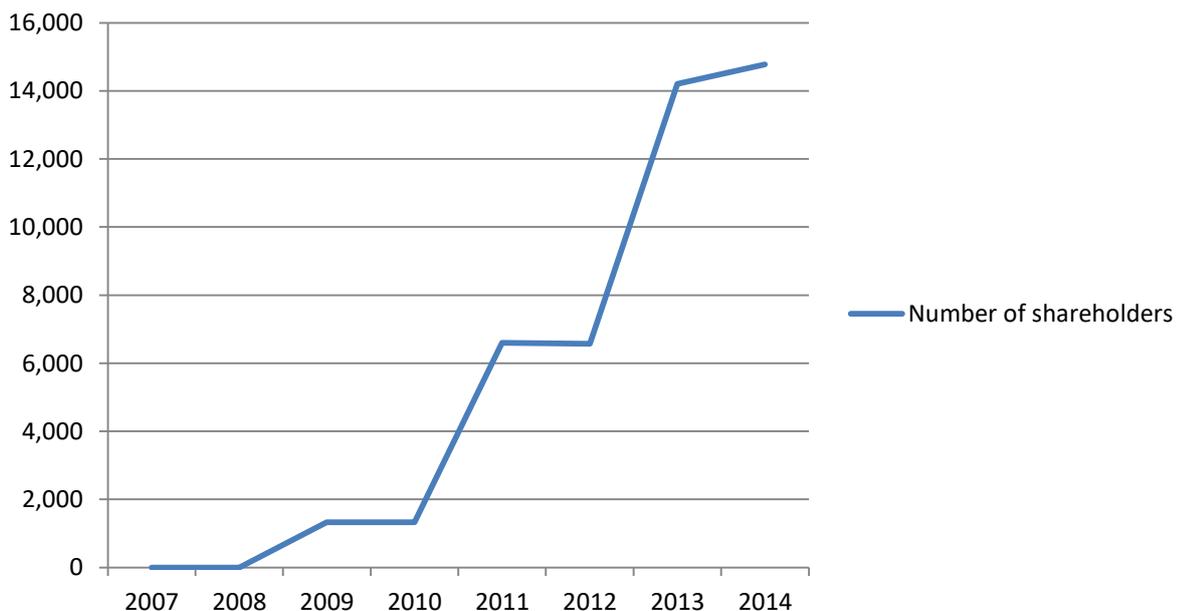
“An open call, essentially through the internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes” (Schwienbacher & Larralde, 2012).

Crowdfunding enables entrepreneurs to therefore fund particular efforts via the internet without necessarily relying on financial institutions, intermediaries and products which have become part of the processes of financialisation (Mollick, 2014).

Described by the owners as a manoeuvre which “tore up convention” and “turned the traditional business model on its head [...] giving thousands of people a front row seat

to the craft beer revolution” (BrewDog, 2015 C), the crowdfunding drive proved to be relatively successful. BrewDog captured £7m over the first three cycles of the drive and further £5m during the first 20 days of the fourth cycle (Business Insider 1st September, 2015). The minimum investment permitted was £95, equating to two shares, and this offered investors discounts on a range of products as well as invitations to exclusive meetings, events and membership clubs (BrewDog, 2015 A: 11/12). Figure 8.2 illustrates the success of Equity for Punks in terms of attracting investment, and therefore qualifies it as a viable alternative to orthodox financing techniques surrounding bank facilities and private debt. In contrast to financing techniques aligned with the orthodoxy of the global brewing economy, such as securitisation, Equity for Punks gave BrewDog the platform they required to capture investment without losing control of the business or becoming highly indebted.

Figure 8.2 BrewDog shareholders, 2007 – 2014



Source: BrewDog Annual Reports

This financing method represents a broader trend, as craft brewers have “increasingly turned to alternative finance over the past year, tapping into enthusiasm among drinkers for involvement in breweries’ development” (FT 28th April, 2015). In this sense, BrewDog and other craft brewers are able to capture investment through marketing the sale of shares and equity as an opportunity for consumers to become part of a beer renaissance and in turn act on their dissatisfaction surrounding the homogenisation and standardisation of orthodox brewing. As the owners themselves articulated to potential investors, “this is much more than an investment [...] this is about buying into the BrewDog vision, philosophy and ideal” (BrewDog, 2015 A: 10). Further evidence regarding BrewDog and how they perceive their investors reinforces this argument, describing shareholders as “our friends, our community and the heart and soul of our business” (BrewDog, 2015 A: 6).

In addition to debt-free expansion strategies, within an industry that has witnessed rapid concentration and consolidation in recent years, elements of the business model have been included specifically for the purpose of negating the potential threat of takeover, as informed to potential investors in the shareholder prospectus.

“The directors have the right to refuse to register any transfer of shares. This means we can prevent multinational monolithic beer companies from buying shares in BrewDog [...] over three quarters of the shares in BrewDog are owned by our founders and staff. As such, they can vote decisions through at general meetings, even ones investors in the Offer, as minority shareholders, might disagree with” (Brewdog, 2015 A: 2).

These clauses enable the directors to remain autonomous and nullify the opportunity of the financialisation of the firm, which includes takeover by an international brewing group and the proliferation of minority shareholders solely concerned with short-term profit maximisation. It demonstrates the ability of firms to remain resilient and resist the pressures and tendencies associated with financialised competition.

BrewDog appears to therefore encapsulate the broader definition of craft through being innovative in terms of both beer styles and business model. As “an alternative small business owned by thousands of people who love craft beer” (BrewDog, 2015 A: 6), their business model and corporate philosophy can be conceived as antagonistic to the norms and orthodoxy of global brewing. The financialisation of global brewing, where firms are driven by financial efficiency, profit maximisation and market concentration, often distracts management from important ethical and philosophical stances which the modern beer drinker increasingly demands. The success of BrewDog therefore resides with its business model and philosophy, as much as the quality of the products and services it provides, suggesting the damaging impact of financialisation in terms of the operational element of brewing. Whilst accepting that the craft scene continues to be a relatively small minority of the global beer market, the preceding arguments demonstrate the “ever-resilient and inventive nature of entrepreneurship” ascribed to craft brewing (FT 15th October, 2013) and how this acts as a counterforce to financialisation and the logics and practices it has normalised throughout the global brewing economy.

The case of BrewDog also suggests that “crowdfunding has the potential to be more disruptive to traditional corporate finance than many have realised” (The Independent 17th May, 2015). In this sense, crowdfunding represents a “from below” connection

between the real economy and the financial sphere, the polar opposite to the “from the top” initiatives linked to large financial institutions and inherent in mainstream financing and the financialisation of global brewing (Salomon *et al.*, 2013: 8). The ability of BrewDog to attract such investment is therefore directly linked to the fact that “from the outset they deliberately chose a strategy that flew in the face of accepted orthodoxy in the brewing industry” (Smith *et al.*, 2010: 161). Even though crowdfunding is “very different from mainstream banking”, it can be understood as a manifestation of the changing nature of the financialisation of brewing, as its “heterogeneity” in terms of “monetary and financial circuits” exemplifies the difference between alternative and orthodox financing (Langley, 2016: 303). Crowdfunding therefore reflects the changing nature and voluntarist element of financialisation, where novel financing techniques are enrolling a broader range of actors into finance, whilst simultaneously enabling firms to secure investment and grow.

The nature of crowdfunding also enables firms to escape the constraints of their institutional environment. Described as the “most striking feature” of crowdfunding, the “broad geographic dispersion of investors” demonstrates how the digitisation of finance from a bottom-up sense permits organisations to grow and develop without necessarily requiring mainstream financial channels (Agrawal *et al.*, 2011: 1). Just as the “contagion effects of financialisation can spread well beyond its geographical heartlands” (French *et al.*, 2011: 806), the “removal of geographic limitations” attached to particular forms of alternative finance therefore adds yet another spatial dimension to the nature of financialisation (Mollick, 2014) and supports the argument that the nation-state should not be prioritised as the sole “container of economic

activity” when analysing the financialisation of variegations in capitalism (French *et al.*, 2011: 808). Whilst preceding arguments have demonstrated the complicity of the state in terms of the financialisation of markets, this provides further complexity through suggesting that particular financial practices and activities can transcend national borders and potentially impede upon the orthodoxy and normalisation of financialisation.

The extent to which the craft trend is “putting the larger producers in jeopardy” is questionable (Fazel *et al.*, 2013), especially upon considering how craft in Britain accounts for a mere 1% of the total beer market (BrewDog, 2015 B). Similarly in Germany, regardless of the resilience of independent brewers, particularly those “medium-sized family-owned ‘mono-brewers’ with essentially one brand”, the appeal of global brands still persists alongside the growing influence of financialisation (Ahrens, 1997: 561). However, BrewDog clearly represents the heterogeneity of the financialisation of global brewing and the ability of actors to contest and resist its logics and rationales. The case of craft brewing therefore not only demonstrates the pervasive “spread of financialisation”, in terms of realigning and reengineering socio-economic activities (Davis & Walsh, 2015: 2) but also the extent to which actors challenge the normalisation of its processes, resulting in geographically uneven outcomes that undermine the conceptualisation of financialisation as inevitable and invariable.

8.2 The death of a benign capitalism?

Earlier chapters have analysed the socially corrosive qualities of financialisation in terms of its multifarious role in exacerbating the uneven geographies of capitalism, chiefly through reducing personal relations to monetary transaction. This section aims to extend this understanding further through analysing the role of financialisation in reducing the number of family-run pubs throughout Britain and Germany. Through inducing financially oriented modes of competition and catalysing tendencies towards market concentration, the contrasting forms of financialisation witnessed across both variegations of capitalism have impacted the role of the family-run pub throughout both markets. This section argues that financialised pressures have resulted in the retrenchment of the family-run pub and in turn demonstrates how financialisation increasingly shapes “social and cultural life” in an extensive yet geographically uneven manner (French *et al.*, 2011: 799).

8.2.1 The professionalisation of pubs and brewing

Not exclusive to the pub and brewing markets, financialisation has altered broader market conditions and firm behaviour through imposing “profitability norms set by financial markets” onto non-financial corporations and the real economy (Van Treeck, 2009: 919). Whilst preceding chapters have explained how the financialisation of pubs in Britain has profoundly impacted the nature and dominant ownership structure of the market, this section aims to analyse the extending reach of financialisation in regard to cultural transformations surrounding the decline of family-run premises. The growing popularity of managed premises, where pub businesses are ran by a manager employed by the pubco, is transforming the traditionally family oriented nature of pub

ownership and reinforcing the broader notion that the constituents of financialisation serve to nullify the opportunity for meaningful contributions to the community (Kasser & Ryan, 1993).

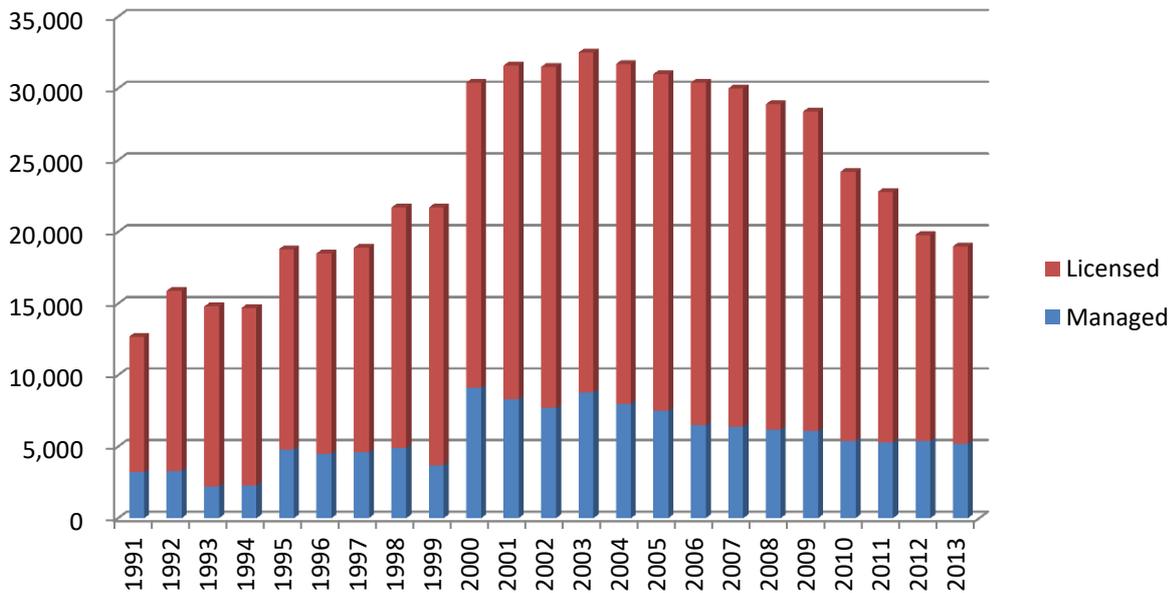
The benign form of capitalism in this context is represented by pubcos and brewers financially supporting tenants in charge of underperforming and struggling pubs. The combined impact of perfect storm factors and the financialisation of the corporatized segment of the market have removed this form of benign capitalism through the emergence of a sharpened competitive environment and the diffusion of a particular set of management principles based upon enhancing value, operating under short-term planning horizons and prioritising financial efficiency and rates of return. Not to suggest that this previous market dynamic was perfect, as family firms can be exploitative and exclusionary for example, this transformation merely suggests a further pervasive impact of financialisation in terms of modifying the traditional character of pubs and their ownership structures.

The tied-house, leased-estate model has been the “traditional form of ownership in British pubs” for centuries, but pressures induced by financialisation are encouraging the dismantling of this form of ownership for a variety of reasons (Ainsworth, 1998). The decision as to why pubcos developed the leased model during the acquisition phase was based upon decreased levels of operational risk, as well as how financial institutions were willing to offer up to 8x EBITDA for a leased pub securitisation compared to only 6x for a managed pub equivalent (Cox, 2003: 136). The shift towards a managed estate has been prevalent since worsening trading conditions following the crisis encouraged the larger pubcos to divest from the underperforming wet-led leased

model and pursue the managed outlet as a means of gaining greater control and flexibility, as well as enhanced profit margins (Big Hospitality 4th May, 2012).

Lashley and Rowson (2002) argue that there is an inherent tension between pubco and tenant, as in contrast to the vast majority of their owners, tenants rarely enter into contracts with aspirations solely based upon generating profit and maximising a return on their personal investment. This may be a result of pubcos strategies which suppress the profit generating capabilities of individual pubs, but reflects how owners and operators by no means share a mutual strategic preference when entering into a business relationship. Such tensions, as well as turbulent trading conditions, indebtedness and impeding legislation surrounding tenanted estates, have therefore led many of the dominant firms to argue that the “managed pubco model will be in a better position to adapt to the changes occurring in the sector” (Cox, 2003: 137).

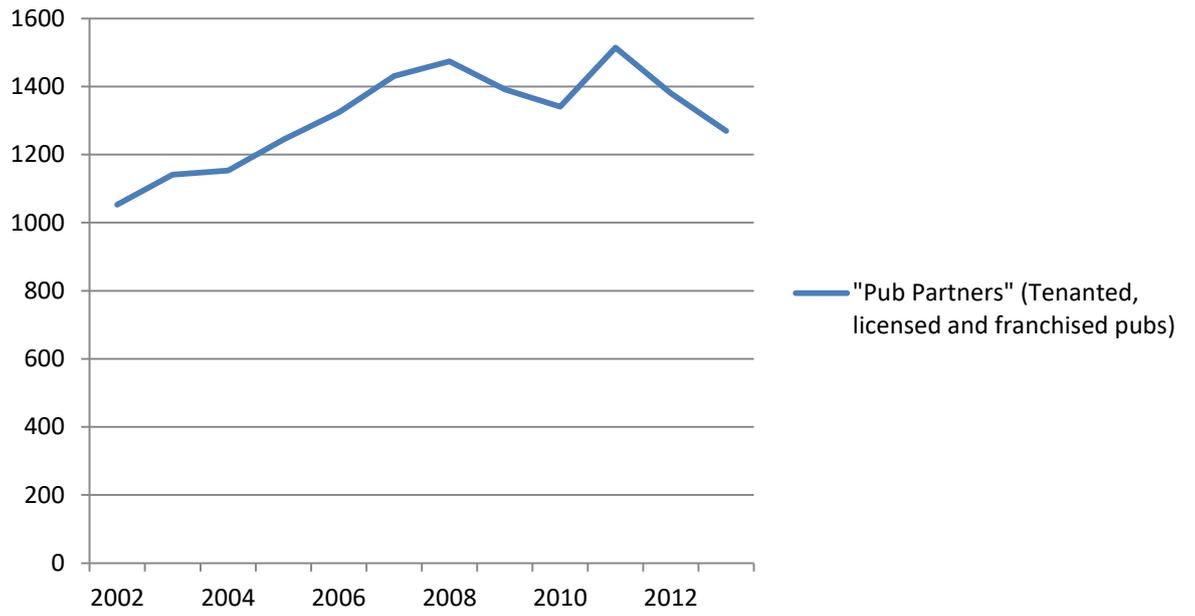
Figure 8.3 Pubco ownership structure, 1991 – 2013



Source: Author's own; data obtained directly from contacts at the British Beer and Pub Association

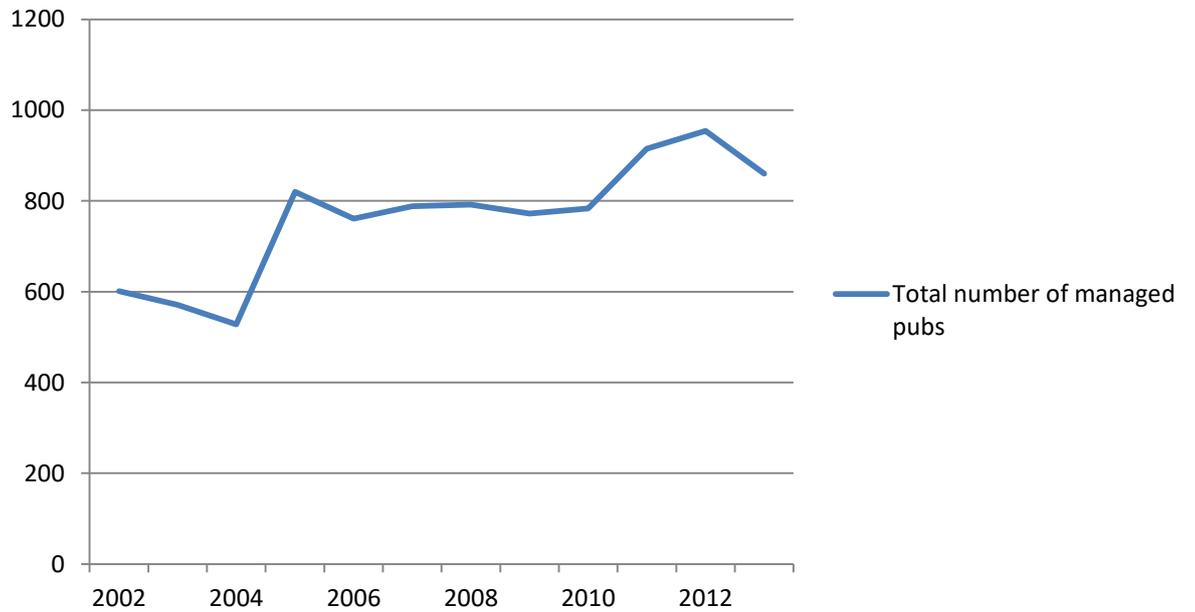
Figure 8.3 shows the contrasting development of managed and tenanted pubs under pubco ownership. The graph shows the turbulent experience of tenanted pubs whilst simultaneously demonstrating the relative resilience and appeal of the managed pub. The changing composition of the Greene King pub estate also provides further evidence of the preference amongst pubcos for managed premises. Figures 8.4 and 8.5 show the development of Greene King's pub estate, where the managed component of the business experienced a 43% increase during the same period the tenanted component experienced only a 21% increase, suggesting a growing preference towards managed houses.

Figure 8.4 Greene King "Pub Partners" tenanted estate, 2002 – 2013



Source: Greene King Annual Reports

Figure 8.5 Greene King managed estate, 2002 – 2013



Source: Greene King Annual Reports

As a means of profiting from economies of scale, firms have decided to roll out standardised brands and themed venues throughout their managed estates, paying very little attention to “local cultural practices” and regional differences that determine relative success (Hollands & Chatterton, 2002: 299). Whilst managed pubs enable the operator to “exercise more direct control over what goes on”, they inevitably result in a “degree of standardisation”, as well as an increased rate of manager turnover, and therefore often “fail to achieve the character and individuality of pubs with long-standing licensees” (Ainsworth, 1998).

“I think individuality is a real opportunity. You know I’m bored of Hilton hotels, Strada restaurants and all the rest of it because they’re all the same. If you can find a nice little unique gem somewhere, I think that’s the opportunity” (Finance and Environment Manager, Adnams Plc, Author’s Interview, 2015).

The leased model enables tenants to develop pubs with distinctive character, an opportunity which reduces under the managed model. In addition, another operational challenge includes higher maintenance costs through capital expenditure projects no longer solely undertaken by the tenant (Cox, 2003: 136). The financialisation of pubcos is therefore transforming the very nature of the pub and the fabric of the industry through replacing tenants, who commentators argue have a genuine vested interest in all aspects of the business, with “mere employees” who exhibit “less commitment to ensuring quality than someone who has a direct stake in the business” (Ainsworth, 1998).

There is however an uneven geography to the proliferation of managed premises reflected by regional disparities in terms of certain areas retaining greater numbers of leased pubs. The experience of Newcastle suggests that the growing trend of managed

pubs has been concentrated within urban areas and particularly city-centres. Managed city-centre pubs such as *The Five Swans*, *Yates* and *The Mile Castle* also provide a very different experience for consumers than pubs such as *The Free-Trade*, *The Cumberland Arms* and *The Brandling Villa* in surrounding areas, all of which devote greater attention to localised histories and brewing cultures through specific décors, products and services. This further reinforces the spatially variegated nature of the material outcomes of financialisation.

Attached to the shift towards managed houses is the growth in larger pubs that place greater emphasis on food. Profiting from the upsurge in the food-trade, pubcos are opening larger, food-led managed pubs which embody less risk within the present market and therefore provide a more financially efficient option. This transformation reinforces the pervasive and changing nature of financialisation as well as its multifarious role in changing pub geographies.

“Pub numbers will continue to decline because the big pub companies, the likes of Greene King, Marstons, Wetherspoons, M&B, they are expending rapidly in the food led side of the business and every pub that a Wetherspoons puts in does £30,000 a week in trade, will probably take £20,000 a week from the surrounding pubs, so you get one pub going in and two pubs closing. Because the average size of public houses will be increasing, with the new ones going in soaking up so much trade, it will end up closing little community boozers. The square footage of pubs is going to remain fairly consistent but the number of pubs is going to drop” (Director, Chartered Surveyors Specialising in Pubs, Author’s Interview, 2015).

This suggests that whilst pub trade may remain relatively constant in quantitative terms, a qualitative approach exposes the impact of financialisation in reorienting the corporate norms and knowledges of pubcos and in turn directly contributing to the transformation of the character and spatial composition of pub geographies.

Commentators argue that “a local pub is for local people, and works best when it reflects something of a place and the folk who live there” (The Telegraph 2nd April, 2016). The professionalisation and homogenisation of the market attributed to spatially blind and geographically indiscriminate pubco strategies therefore serves to reorient the very nature, traditional character and localised understanding of pubs in Britain. It demonstrates a much more pervasive element of financialisation, showing how it serves to dilute the “unique character” of tenanted pubs through removing the entrepreneurial spirit attributed to their distinctiveness and success (SIRC, 2008: 12). Financialisation therefore poses as one of the many contemporary challenges faced by the industry which have led to the form, function and even “strength” of the pub as a social and economic unit to be “increasingly questioned” (Sandiford & Divers, 2011: 765). Whilst the rise of managed pubs signifies the limits to the financialised model based on securitisation of tenanted pubs, reflecting the need for more control on behalf of the pubco, the restructuring of estates demonstrates the extending reach of financialisation. Findings therefore suggest a link between these two transformations, where the professionalisation of pubs acts as a necessary corollary to the growing influence of financialisation, with an outcome being the decline in family-run and tenanted premises.

Germany is witnessing a similar trend whereby which the independent, family-run nature of pubs is receding. Changing market conditions are generating tendencies

towards the professionalisation of the pub market and to formats of ownership which are more likely to enact the imperatives of financialisation. As mentioned in previous chapters, a multitude of perfect storm pressures are placing a strain on the majority of Germany's privately owned pubs, a development which brewers aim to capitalise on through acquiring pubs and in turn securing distribution networks (Managing Director, National German Brewery, Author's Interview, 2015). The declining viability of smaller independent operators, and the heightened presence of both domestic and international brewers concerned with consolidating market share, has therefore fuelled speculation that the national pub estate will become concentrated and professionalised through the growth of pub retailing companies as witnessed throughout Britain:

“I think companies like us [...] they will become bigger, no doubt, no doubt about it. Because they will then have an infrastructure, they will have management infrastructure, so they can build on, I think that will be the future. I think in 10, 20 years you will have much more substantial companies but not with 40 units but with 400 units and 500 units, and then managing them again in different scenarios via franchise, via management, via partnerships or whatever” (Managing Director, German Pub Retailer, Author's Interview, 2015).

Unlike Britain, whilst financialisation is not directly contributing to the decline of the family-run pub, such developments are likely to enhance the opportunity of financialisation to permeate the German market and induce change. This provides yet further evidence supporting the integral role of variegations of capitalism and their institutional and geographical structures in mediating the processes of financialisation. The typically high-road philosophy adopted by German firms, which opposes cost-

cutting, rationalisation and ruthless profit maximisation, has ensured that the majority of pubs in Germany have remained as family owned and run entities which cannot be traded as expendable financial assets.

Albeit to a lesser extent, financialisation has also induced change in relation to family-run brewers throughout both contexts. The fiercely competitive German market, which poses challenges in regard to its regionally diverse nature and the unique locally oriented beer drinking culture, has resulted in a “preference” amongst brewers to remain “small, family-owned businesses” (Fazel *et al.*, 2013). Whilst these family brewers have proven to be highly resilient, commentators argue that alongside the erosion of market norms through the heightened presence of international brewing groups comes the threat of the diminishing role of the family.

For centuries brewers in Germany based their distribution strategies on “close and exclusive relationships” with pub owners, which can often last generations due to the family oriented nature of the market (*ibid*, 2013). International brewing groups are however disrupting this tradition through undercutting family brewers via contracts with the on-trade, offering greater support at much lower rates. In addition, independent family brewers are often the prime target for international firms in terms of M&A activity aimed at enhancing market share. Whilst the German brewing industry continues to resist external pressures to change, the growing presence of international brewing groups, and their strategies aligned with the core constituents of financialisation, serves to generate more “cut-throat competition” which in turn diminishes the viability and marginalises families-run brewers through dismantling traditionally benevolent relationships (Director, North-Rhine Westphalia Brewers Association, Author’s Interview, 2015).

The financialisation of the pub market has also impacted British brewing in a similar fashion, as the impact of securitisation and the concentration of the national estate has transformed both the competitive and operational dynamics for brewers and brewing-pubcos. The financialisation of the market occurred alongside a pubco appetite for expansion which proliferated the threat of takeover and sharpened financial competition, both of which ruptured of any form benign capitalism which existed between brewers and tenants.

“You might say that some of the old tied pub system might be a sort of benign capitalism, where the brewer was supposed to support the licensee through hard times as well as the good times” (Journalist and Beer Writer, Author’s Interview, 2015).

The growing dominance of financialised ownership structures, as well as broader cultural and regulatory factors, has therefore diminished the opportunity for brewers to support tenants regardless of their financial situation. Financialisation can therefore be seen as reorienting the character of British brewing through modifying the relationships between brewers and tenants.

By inducing such varied change it becomes clear that the pervasive impacts surrounding the “murky world of financialisation” extend further and permeate much deeper than the realms of corporate finance (Pike & Pollard, 2010: 30). These contrasting transformations concerning the nature of pubs and brewing in Britain and Germany provide further evidence of the geographical unevenness ascribed to the “destructive effects” of financialisation, as well as how “unquantifiable” and “often invisible” changes ascribed to the variegated processes of financialisation have been neglected throughout previous research (Dembinski, 2009: 12).

8.3 Conclusion: the geographically uneven extending reach of financialisation

This chapter has identified and explained the pervasive nature and extending “reach of financialisation” (Christopherson *et al.*, 2013: 356), illuminating the extent to which financialisation has transformed social and cultural norms ascribed to the pub and brewing markets of Britain and Germany. Through analysing the emergence of the craft beer market, preceding arguments have demonstrated how variegations of capitalism shape and mediate the pressures of financialisation and generate contrasting corporate and market responses, inevitably leading to spatially uneven outcomes. The Case of BrewDog exposed resistance towards the normalisation of financialisation throughout the global brewing economy. “Equity for Punks” provided evidence of how firm agency can militate against the pressures of financialisation, as well as the norms of the broader institutional environment, in addition to supporting the argument that crowdfunding possesses a “potentially disruptive” quality in terms of “traditional approaches to funding” throughout the financialised global brewing economy (Mollick, 2014).

Analysing the receding role of the family furthered this discussion and demonstrated how financialisation is reconstituting the interrelationships which make up the pub and brewing markets, reducing them to “monetary calculation” and in turn eroding the culture of the family-run pub (Christopherson *et al.*, 2013: 351). Through modifying the character of pubs in such a way, the extending reach and pervasive nature of financialisation can be understood due to its role in not only generating closures but also contributing towards the “constant evolvement of the pub” (Journalist and Beer

Writer, Author's Interview, 2015). Preceding arguments have also reinforced the role of variegations of capitalism in mediating financialisation and financialised modes of competition, where diversified norms ascribed to each political economy shape the behaviour of actors and serve to encourage or resist the normalisation of financialised practices.

Rather than merely generating closures, the relationship between financialisation and the pub extends much further and involves the reorientation and modification of its very character, format and localised understanding. This chapter has therefore illuminated the extending reach and "malleable" nature of financialisation (French *et al.*, 2011), where its pressures are not static or fixed but rather evolve and change, taking different forms and generating different outcomes depending upon the spatial context.

Chapter 9: Financialisation, the brewing industry and the changing role of the pub in Britain and Germany: conclusions, contributions and reflections

“Pubs have seen many changes. The First World War was supposed to close pubs down, it didn’t. The development of the radio in every house was supposed to close pubs down, it didn’t. Television, people forecast would stop people going out to pubs, it didn’t. Even people said the arrival of the internet and being able to shop online would stop being going to the pub, well it hasn’t. But one thing has happened, pubs have evolved”

(Journalist and Beer Writer, Author’s Interview, 2015)

The aim of this thesis has been to identify and explain the relationships between financialisation and the dramatic reductions in the number of pubs in Britain and Germany. Whilst pub closures were the motivation and gave entry into the study, understanding the dynamics of financialisation within the pub and brewing business has been the primary focus. Pub closures constitute the surface phenomena of a set of interdependent processes, including financialisation, which unfold unevenly across space and time.

Empirically, both national contexts appear to be witnessing similar trends in regard to the geographically uneven nature of pub closures. However, a qualitative, comparative and mixed methods approach has revealed how it would be false to assume that the

underlying processes are homogenous across both geographical contexts, particularly in terms of the relational differences of financialisation. The rationales, logics and practices of financialisation play important causal roles in Britain, whilst simultaneously inducing very limited change throughout Germany. This reinforces how institutional arrangements present throughout variegations in capitalism shape and mediate the presence, outcomes and geographically uneven unfolding of financialisation. This overall finding captures the causal and constitutive role of geography in financialisation and demonstrates a key contribution of research which aims to ground and spatialize its multiple processes.

Preceding chapters have demonstrated how the processes of financialisation unfold unevenly in geographical terms, and how their institutional expressions are highly variegated across different national, regional and local contexts. The specific aims of this study were to:

- 1) Articulate a more finely grained, spatially sensitive understanding of financialisation
- 2) Explain how variegations of capitalism and their institutional and geographical structures mediate the processes of financialisation in contrasting ways
- 3) Identify and explain the relationships between financialisation and pub closures in Britain and Germany

This thesis has adopted a geographically attentive and spatially nuanced framework which has generated valuable insight regarding the inherent spatial and temporal variegation of financialisation, as well as how this inherent variegation is translated via uneven economic geographies at different geographical scales. Whilst core constituents exist, the heterogeneity and unevenness of financialisation as a distinct set of principles and practices can be explained through the role of geographically grounded actors and institutions which mediate, shape and in turn constitute its core processes. Divided into three main sections, this chapter articulates the theoretical and conceptual contributions of the research, summarises the key empirical findings which substantiate the preceding claims, and explains avenues for further research.

9.1 Understanding the geographies of financialisation throughout variegated capitalisms

Building upon findings established throughout analytical chapters, this section aims to articulate the key theoretical and conceptual contributions of the thesis which serve to enhance the understanding of the geographies of the financialisation of the firm and address areas of existing academic literature which lack precision. This research has developed a robust conceptualisation and theorisation of the geographies of financialisation in variegated national institutional contexts and contributed to the political economy of the financialisation of the firm. Applying a spatially and historically sensitive approach, which appreciates the geographical as well as temporal elements ascribed to the geographies of financialisation, has provided a finely grained explanation which contributes to the growing critique of the common depiction of

financialisation as an omnipotent, all-encompassing phenomena (See for example, Christophers 2015; French et al, 2011; Pike & Pollard, 2010; Williams, 2000).

9.1.1 A geographically constituted phenomena: financialisation, space and place

This thesis has delivered a spatially sensitive critique of the understanding of financialisation through addressing the “complex geographies” ascribed to its development (French *et al.*, 2011: 809). The processes of financialisation have presented forces for change and preceding chapters have critically assessed how different geographical settings, structures and arrangements mediate these forces and generate uneven material outcomes. The geographical approach taken to financialisation serves to develop the understanding of its range of processes in a grounded and visible manner, essentially demystifying the omnipotent and ambiguous character articulated throughout geographically anaemic research.

The comparative element of this study has facilitated a deeper understanding of these processes and the means by which the common logics of financialisation are manifested. Whilst a significant number of studies have demonstrated how and to what extent global financial capital has “expanded its influence over the rest of the political economy” (Deeg & O’Sullivan, 2009: 731), very few have identified, let alone assessed, how this process has unfolded in a geographically and temporally uneven manner. Analysing financialisation through the lens of variegated capitalism, as opposed to the dichotomous structure of VoC, has therefore served to expose sub-national heterogeneity in terms of institutional structures and their critical role in mediating the processes of financialisation and shaping its geographically uneven outcomes.

Through critically examining the financial practices which constitute the financialisation of the firm, this thesis has demonstrated how the variegated processes of financialisation are aggregated by common and recognisable “underlying tendencies” (Lapavistas & Powell, 2013: 375) which in turn, generate a geographically divergent range of forms, pressures and outcomes. Whilst therefore being mediated by a range of factors and unfolding differently across and within nation-states, the variegated processes of financialisation consist of a range of financial practices, ideas and principles that are identifiable across space and time (Brown *et al.*, 2015: 47/48).

This thesis has demonstrated how geography is necessarily intertwined with the processes, procedures and rationales of financialisation, where variegated economic geographies shape their form and material outcomes. In terms of corporate restructuring, space and place constitute the nuances and specificities of the financialisation of the firm, where the norms and rationales of financialisation do not exist as a “coherent, realizable project for corporate management” (Froud *et al.*, 2000: 106). In the case of securitisation, “hopes, predictions, calculations and prognostications of potential future outcomes achieve tremendous power over the present” (Haiven, 2014: 76) and the case of pubco and the reconceptualisation of pubs as expendable financial assets demonstrates how it would be inaccurate to imagine that geography plays no role in establishing, constituting or transforming these predictions and calculations. At the individual level, “distinct socio-spatial settings” mediate the means by and extent to which “individuals and households are incorporated unevenly into global financial networks, resulting in geographically differentiated dynamics of investor subjectification” (Lai, 2016: 29). The preceding points illustrate how space and place constitute the very nature and outcomes of

financialisation. This suggests that the spatial extension and “spreading” of financialisation does not necessarily “imply homogenisation and convergence of outcomes” (Froud *et al.*, 2000: 106), as the processes of financialisation are mediated in the way they unfold in different spatial and temporal contexts.

This thesis has used a comparative approach to financialisation through analysing how its constituents unfold across different forms of capitalism, demonstrating the inherent variegation ascribed to the processes of financialisation (Brown *et al.*, 2015 48). By analysing financialisation through the lens of variegated capitalism, this thesis has also demonstrated how the “worth of financialisation lies in its application”, suggesting that *grounding* the phenomena in a “comparative and connective” manner serves to generate greater insight and is more constructive than applying it in an “isolated and disconnected” way (Christophers, 2015 A: 229). Similarly to the role played by space and place, variegations in capitalism do not solely “alter, resist or mediate” the pressures of financialisation but possess a constitutive role in determining “the shape that financialisation takes in different political economies” (Engelen *et al.*, 2010: 69). This thesis has explained how different institutional carriers and structures attached to variegations of capitalism cause financialisation to unfold unevenly, with the agency of actors working through these institutions demonstrating how the variegation of financialisation is expressed and takes place in a grounded and geographically rooted manner.

Whilst findings generally support the argument that the “greater internal coherence” ascribed to German capitalism has ensured that financialisation has had a reduced impact (Engelen *et al.*, 2010: 64), they also suggest that such a process is ongoing and fluid rather than static or fixed. Instead of the coordinated model “unravelling in the

face of financialisation” or converging towards the liberal market norms, the comparative analysis of institutional and cultural forms of mediation have demonstrated how growing financialisation is likely to take place throughout exclusive markets, institutions and even regions (Brenner *et al.*, 2010: 186). The resilience of the German model, particularly in terms of deeply embedded cultural norms, further supports the argument that the common elements of financialisation appear to be “more compatible” with institutional structures typically ascribed to the LME model (Van Treeck, 2009: 912). Institutional arrangements ascribed to particular variegations in capitalism therefore not only mediate the common elements and identifiable logics of financialisation in different ways, but also produce spatially constituted forms and pressures of financialisation unique to their geographical settings.

In saying this, a geographical sensitivity across all scales has illuminated the internal inconsistencies of variegations in capitalism, made evident by sub-national variegations in regard to particular institutions and actors which deviate from, and in certain circumstances work against, the norms and broader logics ascribed to the political economy. This thesis has therefore problematised and challenged the “conceptual basis” of the traditional VoC framework which is dependent upon “an ideal typical dichotomy” between liberal and coordinated market economies (Ebner, 2016: 3) and in turn demonstrated how there is greater value in terms of thinking about the variegation rather than the dichotomy of capitalism. Whilst this dichotomy is still important, especially as a point of analytical departure enabling the empirical assessment and comparison of broader conceptualisations, integrating financialisation and VoC has demonstrated how dichotomously framed analysis fails to adequately

capture the fluid, flexible, nuanced and contradictory natures of contemporary capitalism and financialisation.

Crucial to this has been foregrounding the firm throughout analysis. Financialisation and the firm were the core and original focus of the literature on financialisation, yet this thesis has developed this strand of research through adding a geographical sensitivity, which exposes the unevenness and heterogeneity of both its form and material outcomes. Research concerning the geographies of money, finance and financialisation has devoted particular focus to secondary circuits, but this thesis has reiterated the crucial role of the firm as a living, breathing, dynamic entity which spills out into local economic geographies and can inform our understanding of the geographies of financialisation.

This thesis has identified and explained the geographically constituted nature of financialisation throughout pubs in Britain and Germany, showing in a grounded way how the core constituents and underlying logics of financialisation “are mediated and contested by specific and particular configurations of spatialized social relations, social agency, and socio-institutional contexts over time, across space, and in place” (Pike, 2006: 201). Whilst financialisation exhibits common tendencies, the relative agency of actors, and the fact that this agency is constituted by complex socio-economic geographies, ensures that it is both geographically constituted as well as expressed. Whilst this geographically sensitive approach has exposed a degree of heterogeneity and incongruity, there are common and generalisable features that characterise its constituent processes that are recognisable throughout its uneven spatial and temporal unfolding. A key contribution of this thesis is therefore that as a set of processes, there is a commonality to the tendencies and constituents of

financialisation yet a plurality to its outcomes, where geography is constitutive and causal in its uneven enactment.

9.1.2 The enactment of financialisation by private, public and civic actors:

geographies, agency and contrasting responses

A key contribution of this thesis resides in outlining the contestation, resistance and heterogeneity of financialisation by social actors. In this respect, a more sensitive and nuanced understanding of the agency of firms and other actors working within particular institutional contexts serves to highlight how financialisation plays out differently across geographical contexts depending on how its rationales, knowledges and ideas are understood and worked with. Preceding arguments have demonstrated the contrasting responses to financialisation and the means by which its processes are encouraged, mediated and resisted by private, public and civic actors. Findings have demonstrated how financialisation should not be conceived of as unrestricted or unlimited, as there are powerful spatial, social and political limits which inhibit its development and serve to modify its processes and pressures.

Addressing calls to complement VoC research with “fine grained analysis that focuses on firm-level structures” (Allen, 2006: 93), rather than deploying the market, city or household as the core unit of analysis, this thesis has demonstrated how the firm provides the most suitable means of analysing the uneven enactment of financialisation across institutional contexts. Crucial to this approach has been articulating the firm as a dynamic, relational entity, consisting of actors with agency working through social networks that change and evolve over space and time. This agency, in relation to their enactment and understanding of the ideas and principles of

financialisation, fuels the inherent variegation and facilitates the constitutive role of geography in relation to its multitude of processes. The heterogeneity and inherent variegation of financialisation is therefore sustained by the agency of the firm. Through articulating a number of avenues of analysis related to this, such as business models, ownership structures, debt, equity and shareholder value, space has been made for further studies to develop this research agenda.

This research has explained how the agency of firms, nationally confined cultural configurations, market-specific institutions, and contrasting forms of government intervention mediate and even resist elements of the variegated processes of financialisation. Through direct and indirect means, the disruption of the core constituents of financialisation necessarily indicate that it must be conceived of as a “contested and contestable concept” (Christophers, 2015 A: 229), with an enhanced understanding of the differentiated character of financialisation emanating from the identification and analysis of counterforces (Christophers, 2015 B: 198). Rather than generating “processions of inevitable events” (Pike, 2006: 207), a balanced understanding acknowledges the role of geographically disparate forms of mediation which shape and inform the processes and pressures of financialisation in different ways. This challenges the notion that the “gradual spatial extension” of financialisation occurs in a geographically consistent manner, without resistance and with the inevitable result of creating an “ideal-typical conceptualisation of a financialised economy” (Engelen, 2008: 114).

The contestation of financialisation is therefore constituted by complex economic geographies, with different types of opposition, ranging from mediation and resistance to conscious efforts to reverse and manipulate. Similar to the roles of space and place,

the type, strength and extent of the mediation shapes the composition and format of financialisation. It is therefore inappropriate to conceive of financialisation as an “immanent principle”, as limitations imposed by “structural barriers within, and by institutional differences between national economies” prevent and inhibit a universal existence (Froud *et al.*, 2000: 105).

It must however be stressed that the extent to which financialisation is contested and successfully resisted in LMEs such as Britain is limited. As a variegated set of processes, financialisation proceeds, is agreed by and works its way through certain actors and interests, but is contested by others with different or competing interests. This thesis has demonstrated this through explaining the normalisation of financialised practices throughout the pubco model in Britain, in contrast to the both conscious and unconscious means through which financialised practices are mediated, resisted and contested by actors and institutions throughout the German context. The processes of financialisation must therefore be understood as unfolding throughout “webs of dialectical relations” (Christophers, 2015 B: 198), where spatial variegation occurs based on certain actors encouraging and enacting their imperatives and others challenging and resisting particular constituents.

Through demonstrating the geographically varied reach of financialisation, a finely grained and firm-focused approach enables a more sophisticated analysis of the nature of the relationship and extent to which “finance is increasingly dominating real activity” (Stockhammer, 2012: 59/60). Rather than financialisation necessarily and indubitably signifying the domination of the real economy by financial institutions, this thesis has demonstrated how the particular pressures and rationales of financialisation have been enacted throughout the real economy whilst being mediated by

geographically contingent institutional structures. In this sense, whilst financialisation captures the growing interdependence between “financial” and “real” activity, it essentially problematises the “dichotomy of finance and the real economy”, as well as the unbalanced power relations, through proposing a deeper permeation of finance throughout economic geographies (Pike & Pollard, 2010: 35). Whilst the relationships have changed and intensified, the extent to which financialisation reflects the growing and unchallenged domination of the real economy by finance must be questioned. Rather than signifying the “decoupling of the real economy and the financial economy” (Bresser-Pereira, 2010: 9), a finely grained understating of financialisation posits that a much deeper and interwoven “mutual relationship exists between the financial sector and the real economy”, where real economic activity must necessarily provide a foundation through which the financial economy is able to “sustain itself” (Peetz & Genreith, 2011: 47).

Addressing those calls to critique the conception of global finance and financialisation as “omnipotent” (Pike & Pollard, 2010: 35) and “carnivorous” (Williams, 2000: 1), this thesis has therefore problematised the conception of financialisation as a universal, monolithic and homogenising entity. Rather than an unrestricted force which induces inevitable change, financialisation must be conceptualised as one of many factors which may serve to mutate, modify and adjust the “systemic logic” ascribed to variegations in capitalism (Deeg, 1999: 11). Identifying and understanding the means by which financialisation is contested, and the associated economic geographies, serves to dismantle those “broad-brush accounts” which conceive of financialisation as “fait accompli” (French *et al.*, 2011: 806). Whilst research must necessarily continue to critically appraise how financialisation contributes to the “reproduction of social and

spatial inequalities”, a greater devotion towards analysing how the unevenness of socio-economic landscapes resist, contest and undermine financialisation may well generate more worthwhile insight (Sokol, 2013: 501).

Whilst not understood as a uniform category, actors and their relative agency play a critical role in maintaining the inherent variegation of financialisation. As their behaviours are shaped by elements of place and particularly the structural constraints under which they work, this further reinforces the causal and constitutive role of geography in the enactment of financialisation. Ultimately, the core constituents, principles and processes of financialisation are constructed, enacted, encouraged, mediated and resisted by actors whose preferences and behaviours are shaped by aspects of the places in which they exist.

9.1.3 The role of the state: the mediation of the present episode of financialisation

This thesis has identified and explained the importance of the nation-state in regard to the political economies of the financialisation of the firm. Whilst the national scale remains crucial for analysis, primarily due to the role of the state in regulating finance, research has demonstrated the internally uneven geographies of particular variegations of capitalism, in addition to the sub-national variegation of the form and processes of financialisation. In this sense, by not only regulating finance but protecting property rights, intervening in specific markets and proliferating certain corporate and consumer cultures, financialisation cannot operate without the state, as findings have clearly demonstrated the active and complicit role of the state in the enactment of financialisation processes.

As neoliberalism encourages and compels different states to be financialised as part of the financialisation of particular variegations of capitalism, their regulatory functions and practices are in turn being modified and transformed. Privatisation, marketisation, financial liberalisation and deregulation are typical throughout neoliberal regulatory regimes and serve to, albeit geographically unevenly, catalyse and accelerate the processes of financialisation. This research has therefore shown how financialisation shapes and influences aspects of the roles, functions and policies of nation-states in different ways, whilst also demonstrating that the financialisation of institutions, markets and actors is not necessarily a result of the withdrawal of the state but also occurs through a more active and central state presence.

Through exposing the variegation and multiscalarity of its processes, the exact form and extent to which financialisation exists throughout variegations in capitalism must be critically assessed. Evidence presented by Froud *et al* (2000: 105) in reference to the supposedly “financialised” economy of Great Britain supports such a position, as “only half of the GNP is corporatized and only part of the corporatized sector is organised into plc companies”. Research must therefore not ignore the intricate economic geographies which constitute the very nature and outcomes of financialisation. This research has shown how financialisation simultaneously influences the assumptions and practices of the state, which plays a critical role in crafting markets, whilst also influencing the actors and institutions which work throughout those markets. This reinforces the conceptualisation of financialisation as a set of processes that are “highly variegated across and between nations” (Brown *et al.*, 2015: 11).

Applying a historically and geographically sensitive approach to financialisation also offers broader insight into the role of the state and particularly the often contested

role of neoliberalism. This depends on understanding how there are “periods of definancialisation as well as those of financialisation” (Sawyer, 2013: 7), with the majority of this thesis engaging with the nature, form and geographies of the present episode of financialisation. The structural transformations which occurred during the 1980s should therefore:

“not be seen as the start of financialisation but rather the start of the era in which the processes of financialisation had some continuing aspects of previous processes (e.g. the growth in the volume of financial transactions), some acceleration of previous processes (e.g. perhaps deregulation), and some novel aspects (e.g. securitisation)” (Sawyer, 2013: 7).

An appreciation of such an approach results in a firmer understanding of the present episode of financialisation and the particular characteristics it exhibits. Acting as a “response to the exhaustion of the Fordist economic growth model” (Clapp, 2014: 799), the present episode of financialisation embodies broad similarities with previous episodes, which predominantly relate to the growing dominance but not decoupling of finance capital in relation to productive capital and real economic activity. In this sense, what parts of the global economy are now witnessing is just “one episode of financialisation among many” (Sawyer, 2013: 7). A distinctive quality ascribed to the present episode of financialisation surrounds the “deepening and broadening of finance in capitalist economies”, where its strength, reach and pressures have been accentuated by globalisation and neoliberalism (Fine, 2007: 7; Brown *et al.*, 2015: 6). Thus whilst previous episodes of financialisation were signified “in terms of growth of the stock market relative to GDP and of bank deposits and loans also relative to GDP” (Sawyer, 2013: 9), the current episode is different in terms of it now being reflected by

substantial household debt, securitisation, and innovations in financial services, amongst other transformations.

Acknowledging financialisation in such a way enables a critical assessment of arguments which claim the causal and constitutive role of neoliberalism in terms of producing financialised pressures and norms. This thesis argues that financialisation is not necessarily constituted by neoliberalism, but neoliberalism does infuse its present form and characteristics. The speculative nature of finance capital appears to have been accentuated in the present era of neoliberalism, where waves of financial deregulation and liberalisation at a global scale have lengthened the reach and power of finance. Financialisation can be understood as an inherent component of capitalism, where neoliberalism has played an important, rather than necessary role, in fuelling and enhancing certain elements (Kotz, 2011). Financialisation must therefore not be understood as a “modern facet of neoliberal capitalism” but rather as a set of “multidimensional” processes which change over space and time (Fasianos *et al.*, 2016: 32), where the neoliberal institutional context has conditioned rather than constituted its present forms.

Reinforcing the geographically constituted nature of financialisation, the present episode of financialisation appears to exhibit much more widespread volatility and instability due to the extended geographical reach of finance throughout contemporary capitalism. Advances in technology, the digitisation of finance, globalisation, the liberalisation and deregulation of international financial markets and the combined impact of neoliberalism have essentially accelerated and amplified particular aspects of financialisation, engendering previously disconnected and remote places much more vulnerable through the interconnectedness and reach of global

financial networks. In reference to financial innovation/entrepreneurship, securitisation of assets and the spread of stock and financial markets, financialisation represents the introduction of “dynamics of financial markets into areas where they were previously absent” and in turn generated “pervasive social consequences” (Davis & Kim, 2015: 217). The extent and pervasiveness of “uneven geographies” emanating from financialisation may therefore be further impacted or even exacerbated by the particular trends existent throughout the present episode, particularly in relation to the “transmission of risk and volatility into the nonfinancial” (Fields, 2014: 148).

This thesis has clearly articulated the integral association between nation-states and the variegated processes of financialisation, whilst also addressing the relative neglect of financialisation throughout other spaces, such as the local and regional scales (French *et al.*, 2011). Rather than the retreat of the state necessarily resulting in the financialisation of economies, research has shown how a diverse range of state interventions and reconfigurations catalyse financialised trends and establish the state as a crucial actor in the proliferation of the logics and rationales of financialisation.

Empirical analysis has shown how nation-states play an active and contributory role in maintaining the inherent variegation of financialisation, and conceptualising the state as a “constantly evolving” entity with practices that are “diverse over time and across locations and sectors” (Bayliss *et al.*, 2016: 4), further fuels the geographically constituted understanding of financialisation. Through shaping the formal and informal institutions of particular variegations in capitalism, this thesis has therefore grasped the varied and multifarious role of the state in regard to constructing, catalysing and exacerbating, as well as preventing, resisting and reversing the processes of financialisation. Rather than subscribing to a “varieties of financialisation approach”

(Passarella, 2014: 6), this thesis argues that financialisation should be conceptualised as a plural set of inherently variegated processes which exhibit identifiable logics and constituents that are shaped, mediated, expressed and unfold differently across space and time.

9.2 Financialisation and the changing role of the pub: a summary of empirical findings

Pub closures present a complex geography and this historical and geographical approach to financialisation has attempted to articulate an explanatory narrative. Whilst predominantly focusing on the role of financialisation, empirical analysis has revealed a range of mutually reinforcing factors which have both caused and contributed to the reduction and changing role of pubs throughout Britain and Germany. Financialisation provides an explanation for geographically differentiated patterns of pub closures, as its core processes and constituents unfold differently across particular geographical and institutional contexts, intertwining with broader factors and local economic geographies to induce spatially and temporally uneven change. The inherent variegation of capitalism has shaped and mediated these processes and constituents, resulting in the uneven unfolding of financialisation and in turn uneven transformations both in terms of closures and the changing role of the pub.

This section summarises the key empirical findings of the thesis in relation to the specific research aims, where empirical analysis has been undertaken to substantiate

claims made in preceding chapters in regard to financialisation being a geographically constituted set of processes which are inherently spatially and temporally variegated.

9.2.1 The relationships between financialisation and the changing role of the pub

This qualitative approach has shown how pub closures are a symptom of a broader set of processes, revealing the causal yet geographically variegated role of financialisation. Financialisation offers an explanation of geographically differentiated transformations in pub markets, where the closure of a pub can be understood as a material outcome of its processes. Financialisation has also contributed towards the enrolment of pubs into broader financial networks, a reorientation of their perceived worth as a particular asset class and the reconceptualisation of their localised understanding.

Whilst Britain and Germany have both witnessed a decline in the total number of pubs, the differentiated nature of financialisation has ensured that this transformation has been highly geographically variegated at the local and regional scales, impacting different places in different ways. As financialisation exists as a set of processes, the decisions made by individuals, corporations and institutions which serve to enact, mediate and shape these processes and principles have led to geographies of closures and the reconceptualisation of pubs across both institutional contexts.

Findings have shown there is no deterministic link between financialisation and pub closures, with it being very difficult to isolate causation, hence the need for a more subtle, nuanced approach to financialisation which exposes chains of causation and grasps the role of financialisation amongst other factors. Financialisation has therefore played a causal role in the geographically uneven decline of pubs at the global,

national and local levels but not in a singular or deterministic way. Contrasting institutional frameworks ascribed to variegations of capitalism ensure that financialisation unfolds differently across space and time and this subsequently results in geographically uneven pub closures based upon differences in terms of how its processes are enacted, mediated and resisted.

Rather than a monolithic process, financialisation consists of multiple processes with common and identifiable features which are contingent upon, unfold and are expressed differently over space and time. Whilst the variegated processes of financialisation have played a causal role in pub closures throughout Britain, and to a limited extent Germany, the geographically constituted nature of the phenomena has ensured that associated outcomes have been spatially uneven across national and sub-national scales. The predominant means through which financialisation has contributed to pub closures resides at the firm-level, as financialised pub ownership structures can be understood as directly contributing to closures and the changing role of the pub.

The LME of Britain, through market-specific forms of state intervention such as the Beer Orders, broader regulatory structures, the nature of finance capital, and the proliferation of financialised forms of competition, has proven to be an environment in which financialisation is enacted to a much greater extent than the CME of Germany. The emergence and perseverance of conditions ascribed to this environment are constituted by a wide range of assumptions, norms, ideas and practices inherently attached to the logic of the broader political economy. In this circumstance, the primacy of the shareholder, the liberalisation and deregulation of financial markets, the prioritisation of short-termism, the normalisation of leveraged debt as a means of

expansion, an adherence to the demands of international finance and the facilitator role of the state; have encouraged the emergence of financialised ownership structures throughout the British pub market which have directly contributed to pub closures through a range of practices aligned with the core constituents of financialisation.

The rationales and core constituents of financialisation have become deeply embedded within the operational logics of many of the larger pubcos. Whilst not existing as a monolithic category, financialisation has transformed the predominant management procedures and principles ascribed to the pubco model emergent in Britain, a development which has induced novel forms of corporate behavior and practices that have played a causal role in the reduction of the number of pubs. Operating under such financialised models has generated corporate strategies which have transformed the number, structure, nature and even character of pubs in Britain, with the agency of pubcos ensuring that this process has remained highly geographically variegated at the sub-national level.

The core constituents of financialisation at the firm-level have therefore been witnessed throughout the pubco model emergent in Britain and have played a causal role in pub closures throughout the country. The securitisation of assets served to not only induce a financially-driven form of competition based on rapid acquisition and the leveraging of debt finance, but also reduced the importance and localised understanding of individual pubs as they became enrolled into enormous monetary transactions and calculations. Through exposing pubs to the uncertainties and vicissitudes of international finance, the pubco experience of securitisation serves to demonstrate the precariousness and volatility attached to its use as a financing

technique as experienced at pub-level, engendering a legacy of debt and distrust which contributed to the reorientation of the pubco-tenant relationship.

Debt attached to securitisation also generated closures following the collapse of the schemes due to operational pressures emanating from the economic downturn and reduced consumer demand. Requirements to service this debt hindered the development of individual pub businesses, due to a chronic lack of investment, and generated geographies of closures through aggressive disposal strategies aimed at enhancing market capitalisation. Aside from debt, the distinct shareholder value orientation engendered a relative neglect of individual premises, as the requirement to appease shareholders was based on rationalisation strategies which starved pub businesses of investment, training and support, proving to be counter-productive to their long-term viability and sustainability.

Perhaps the most significant impact of financialisation surrounds the reconceptualisation of the pub as an expendable financial asset that can be bought, held and sold, in turn reorienting the relationship between owning company and operator based upon the preceding concrete forms of actually existing financialisation. This transformation has reduced the pubco-tenant relationship to a monetary transaction, eroded shared interests and reinforced unbalanced power relations, rendering pubs as disposable financial assets which are used by pubcos to extract and enhance value in order to appease financial machinations. This clash of different conceptions, definitions and frameworks of value and valuation, where disparities exists between operating a successful pub and pubco, has transformed the role of the pub and generated geographies of closures.

Acknowledging the long-term episodic nature of financialisation, this thesis has also identified and explained short-term temporal unevenness through the experience of the pubco model emergent in Britain. The predominance of financialised practices during the expansion phase of the 1990s, accelerated and deepened by the confidence of actors, was eroded over time through pressures emanating from the financial crisis. The change in pace and form of financialised practices highlights the temporally variegated nature of financialisation and reinforces the role of actors and institutions in enacting financialisation in different ways over space and time. This confirms accounts in the literature of temporal variegation within and throughout particular episodes of financialisation (Fasianos *et al.*, 2016; Sawyer, 2014).

Financialisation has therefore played a role in establishing geographically uneven pub closures in Britain and also in exacerbating and catalysing the transformative pressures that have and continue to reorient pub geographies. As the following section addresses, particular conditions of the German institutional environment have ensured an inherent variegation to the processes of financialisation and in turn militated against a similar transformation based upon invariable material outcomes.

9.2.2 How variegations of capitalism and their institutional and geographical structures mediate the processes of financialisation

The principles and practices of financialisation are constituted, shaped and mediated by the geographical and institutional structures of variegations in capitalism, affirming space and place as integral to the uneven enactment of its processes. Through integrating VoC, this thesis has captured the complex relationships between financialisation and the critical yet varied role of “underlying institutional structures”

(Fasianos *et al.*, 2016: 4). In this instance, and contributing to the emergent political economies of the financialisation of the firm, the means by which actors negotiate with capital markets, navigate regulatory structures and administer corporate strategies, is geographically contingent and therefore shapes the actually existing form, power and reach of financialisation. As firms clearly enact the principles and practices of financialisation, integrating VoC, which assumes that “national institutions [...] and the differences in these institutions *between* nations are the most important factors in explaining firms’ strategies” (Allen, 2006: 72 – emphasis in original), has exposed the complex relationships between firm agency, national institutions and the unevenness of financialisation.

The comparative element of this research has identified and critically examined a range of factors existent throughout both institutional contexts which mediate and shape the variegated processes of financialisation. As financialisation is actualised by actors working through institutional structures and carriers ascribed to particular places, the means and extent to which its processes have unfolded throughout the British and German pub and brewing markets has been highly geographically differentiated. Particular aspects of the institutional structures present throughout Germany have shaped and influenced the expressions of financialisation, leading the variegated processes to unfold in different ways.

This thesis has demonstrated how the mutually reinforcing impact of the state, corporate culture, and consumer culture, amongst other factors, have militated against the enactment of financialised practices in the German context, predominantly through preventing the proliferation of financialised ownership structures at firm-level. The state, through formal and informal decisions, has crafted a particular political

economy which has refracted the pressures, norms and rationales of the new global brewing economy in a much different way to the British variegation of capitalism. The very nature of financial capital, a commitment to social progress, cooperation and mutually beneficial interactions, the deeply embedded role of patient capital and the influence it has on engendering long-term reciprocal relationships, all exist as core institutional dimensions of the German variegation of capitalism which have prevented the emergence of financialised ownership structures and associated practices.

In addition to broader institutional factors which shape firm activity, the limited role of financialisation throughout German pubs and brewing can be explained by the regionality of the markets, a unique consumer culture antagonistic towards financialised business models and the specific history of beer and brewing throughout the country, which has crafted particular norms and corporate philosophies which repel the normalisation of financialisation. These geographically particular traits have been reproduced over time and are mutually reinforcing, decreasing the likelihood of inevitable change. When combined with a unique, deeply entrenched beer-drinking culture, based upon local styles, ingredients, suppliers and organisations, the German socio-economic landscape exists as antagonistic towards financialised business models and strategies. Whilst financialisation has been enacted and relatively unchallenged throughout Britain, the particular historical, institutional and geographical norms ascribed to the German variegation of capitalism have therefore resulted in a “highly fragmented, unprofitable” brewing industry (Ebneht, 2006: 127) which slows down the tendencies of financialisation and in turn lessens its impact on pubs and brewing.

These particular elements of the German variegation of capitalism have forged unique economic geographies which interact with financialisation in different ways and serve

to generate different outcomes throughout both pub and brewing markets at local, national and international scales. Through therefore identifying key institutional carriers and structures across both contexts, this thesis has been able to explain how the relationships between financialisation and pub closures take a multitude of forms and unfold in geographically diverse ways due to the role of geographical and institutional structures of variegations in capitalism.

Financialisation has therefore increased the rate of pub closures in Britain but had a reduced impact in Germany because of the particular institutional structures and norms militating against its normalisation. Whilst fuelling greater financial speculation, a stronger focus on assets and strategies more inclined to take risks for short-term returns, the principles and practices of financialisation which played a causal role in generating pub closures and churn throughout Britain have not been witnessed within the German context due to geographically contingent institutional structures. The conduits through which financialisation unfolds are resisted more throughout Germany, with countervailing pressures emanating from regulatory structures, institutional norms and deeply embedded cultural practices abating the enactment of its principles, logics and rationales. Regardless of the reduced impact of financialisation, Germany experienced a 33% drop in the total number of pubs during the period 2001 to 2014, compared to a 14% decline in Britain (British Beer & Pub Association; DEHOGA) and this serves to reinforce the multitude of factors generating geographies of closures throughout both contexts. Financialisation has therefore had a reduced role throughout Germany but this is not reflected by the rate of closures, where financialisation plays a greater contributory role in Britain which has experience less pub closures in relative terms.

Examples from Newcastle and Dortmund have served to demonstrate how the processes of financialisation are uneven in both form and material outcome, as well as further expose the sub-national variegation of national capitalisms. Data generated from these localised contexts has ruptured the predominantly national focus ascribed to VoC research and provided the means through which financialisation has been grounded and spatialized, revealing the specific principles and practices which adapt to particular institutional contexts and induce geographically constituted outcomes intertwined with complex local economic geographies. City-level analysis has therefore further demonstrated the geographical unevenness of both financialisation and capitalism, reinforcing the argument that analysing “global macroeconomic changes alone cannot be sufficient to understand the phenomenon of financialisation” (Deutschmann, 2011: 355).

Through therefore existing as a set of processes, financialisation results in geographically disparate material outcomes due to the role of space and place, across scalar geographical imaginaries, shaping and mediating its principles and rationales in different ways. Integrating VoC critically has therefore fostered a greater spatial and institutional sensitivity in terms of how these processes are “uneven in incidence and outcomes” and “contingent upon whether and how its imperatives are realised, or not” (Fine et al., 2016: 34). Empirical findings have therefore substantiated the claim that as one of the global “strongholds of finance” (Brown *et al.*, 2015: 46), the institutional, cultural and political makeup of the British variegation of capitalism supports the enactment of financialisation to a much greater extent than the German equivalent. It therefore becomes an oversimplification to speak of financialisation “generically” (Christophers, 2015 B: 189) and rather more important to recognise the

inherent variegation and geographical contingency of financialisation. Fundamentally, the international comparison has served to demonstrate the critical role of variegations in capitalism and their geographical and institutional structures in shaping and mediating the processes of financialisation.

9.2.3 Articulating a finely grained, spatially sensitive understanding of financialisation: the causal and constitutive role of geography

This finely grained approach has addressed a key criticism of financialisation research through analysing the financial principles and practices which constitute financialisation. Empirical analysis has grounded actually existing forms of financialisation at firm-level and in turn enabled a deeper engagement with how these constitute an inherently variegated set of processes shaped and mediated by space and place. Through explaining the uneven enactment of certain financial practices, logics and ideas which are often “taken for granted” throughout financialisation literature (Christophers, 2015 A: 231), research has been able to gain a firmer understanding of the actors, norms and expressions which fuel the variegated processes of financialisation. Placing finance at the heart of this research has therefore generated much more nuanced insight regarding the variegation of economic geographies of financialisation and the diverse means by which they extend across different forms of capitalism (Pike & Pollard, 2010: 38/39; Peck & Theodore, 2007).

Acknowledging spatial heterogeneity, as well as the breadth and depth of geographically variegated resistance and contestation, it becomes evident that “it would be inappropriate to construct an all-encompassing theory of financialisation where differences between individual countries are slighted” (Brown *et al.*, 2015: 11).

A rejection of the all-encompassing approach to financialisation and a pursuit towards a more finely grained theoretical framework will inevitably generate richer insight in regard to the “very diverse and still expanding features of financialisation” (Nolke *et al.*, 2013: 214). Crucially, this research has shown how there are a number of interdependent and mutually reinforcing “common features” of financialisation at firm-level, which are enacted, shaped and mediated by geographically contingent actors and institutions which constitute the spatially variegated “nature, extent and depth” of its multiple processes (Brown *et al.*, 2015: 48).

A finely grained understanding of financialisation therefore necessarily emanates from problematising the “narratives of financialisation” which posit its development as “linear, uninterrupted” and “ineluctable” (Christophers, 2015 B: 194). Ultimately, geographically anaemic research fails to grasp the distinguishable granularity of financialisation through ignoring the existence of financialisation processes across geographical scales. This thesis has therefore articulated a spatially and temporally sensitive understanding of financialisation at firm-level, acknowledging the differentiated role of actors in mediating, negotiating and handling its common elements across institutional contexts, as well as the causal and constitutive role of geography in its enactment.

9.3 Reflections and avenues for future research

The fundamental aim of this research has been to examine the relationship between financialisation and the reduction in the number of pubs across variegated institutional contexts. Upon reflection there are a number of other directions this thesis could have

taken to generate novel insight regarding the geographical dimensions and variegated nature of financialisation.

Whilst the research design and approach have been clearly justified, alternative methodological choices may have generated different and worthwhile findings. The scope and nature of the research study limited the extent to which emergent themes and empirical cases could be included within analysis, with restrictions surrounding time and resources meaning that the analysis of further critical cases was unfeasible. As a means of extending the present research, adopting a broader range of case study countries, cities or even markets would generate further insight regarding financialisation and the means by which variegations of capitalism shape and mediate its variegated processes. Comparing more than one city from each country could serve to generate much deeper insight regarding sub-national variegations and contribute further to developing a finely grained understanding of financialisation. In addition, the comparison of multiple cities would also present further data concerning the intricacies and complexities of changing pub geographies and their relations with brewing and leisure industry dynamics.

Including a greater number of variegations in capitalism throughout analysis would also provide further opportunity to assess the spatially and temporally variegated nature of financialisation. Examining the relationships between financialisation and the dramatic reduction in pub numbers across two similar variegations in capitalism, which are both categorised as being either CMEs or LMEs, would facilitate a sophisticated examination of the internal inconsistencies ascribed to the institutional mediation of financialisation and enable further critique of the LME/CME dichotomy. Whilst a strength of this study has been the ability to draw out differences across variegated

institutional architectures, analysing the role of financialisation throughout a number of supposedly similar forms of capitalism would likely offer insight into the contradictions of capitalism as well as the complex, transformative and heterogeneous character of financialisation.

The scope of the study also meant that the creation and dissemination of a questionnaire or survey aimed at tenants and landlords of both tied and freehold pubs, as well as potentially targeting consumers, was unviable. This would have generated rich data in regard to specific pub-level issues, particularly concerning the nature of the beer-tie, and also further enhanced an understanding of the means by which financialisation is modifying the pubco-tenant relationship.

Upon reflection, whilst the city-level cases provided a means of understanding and explaining the sub-national variegation of financialisation, practicalities surrounding access to actors and therefore the balancing of data perhaps generated a degree of unevenness throughout analytical chapters. In addition, greater scope would also have allowed more rigorous scrutiny of the unfolding of financialisation at the city-level and in turn permitted a greater engagement with the relationship between firms, urban landscapes and the uneven enactment of financialisation. The scope and nature of the study therefore prevented an engagement with literatures concerning the financialisation of the city and the urban, a practice which may have reinforced the spatially and temporally variegated dynamics of the phenomena.

Whilst this study has identified the role of financialisation in generating pub closures, an avenue for future research exists surrounding closer empirical scrutiny of how pubs are closing and the uneven geographies aligned with this transformation. Through identifying a range of regulatory, cultural and demographic factors affecting pubs, in

addition to financialisation, future research must aim to disentangle the various roles of the multitude of factors generating geographies of closures.

This thesis identified and explained how the processes of financialisation have been enacted throughout the British and German pub and brewing markets, as well as how these processes are shaped and mediated across time and space, but further attention could be devoted to rigorously assessing the sites of direct contestation, where particular actors and institutions are motivated by confronting the primacy and reversing the orthodoxy of financialisation. Whilst findings have clearly identified and explained a number of the “spatial contradictions, limitations and discrepancies of financialised capitalism”, further academic attention must be devoted to capture a much deeper understanding (French and Kneale, 2009; French *et al.*, 2011: 808). A geographically sensitive approach to the contestation of financialisation is likely to develop insight concerning the relationship between the spatio-temporal context and the means and extent to which financialisation is consciously resisted, further contributing to an understanding of how actors “denaturalize and challenge financial hegemony” across variegated institutional contexts (Fields, 2014: 161). Whilst this research has therefore illustrated how the socio-political limitations of financialisation occur throughout geographically fixed institutional structures and carriers, further research is required to situate, identify and better understand these institutional carriers and the extent to which they resist the normalisation of financialisation.

This study has addressed the relationships between financialisation and international brewing in parts but the primary focus has been on the relationships between financialisation and pub closures. Further research could therefore critically analyse the relationships between financialisation and the global brewing economy, paying

particular attention to the growing dominance of financialised ownership structures throughout international brewing groups and the extent to which the particular variegations of capitalism in which they operate mediate their differentiated corporate strategies and economic practices. As this thesis is being written, a merger between the two largest international brewing groups, ABInBev and SAB Miller, has been approved by shareholders and will be worth approximately £71bn. Whilst the proposed “MegaBrew” further exemplifies the concentration of global brewing, as estimates suggest that it will account for 47% of the global beer market, it also raises further opportunity to assess the link between financialisation and brewing, as the requirement of ABInBev to capture over £40bn in bonds in order to complete the takeover “would set a new world record for debt issuance and acquisition financing” (FT 16th October, 2015).

Not only would this facilitate an engagement with the relationships between financialisation and the brewing economy at global and local scales, it also poses as an opportunity to assess how the financialised rationale and operating logic ascribed to particular firms manifests itself differently across variegated institutional contexts. The truly global operations of these firms would also permit analysis which moves beyond the Western context and critiques the overtly Anglo-American conceptualisation of financialisation. Extending this geographically sensitive approach to states which are seldom addressed by the VoC literature may serve to generate more nuanced insight in regard to the spatially variegated processes of financialisation and the contrasting interrelationships between variegations in capitalism and financialised practices at different geographical scales.

This thesis has developed a finely grained understanding of financialisation based upon an analysis of its core constituents at firm-level across variegated institutional contexts. Whilst this occurred within the context of the political economies of the financialisation of the firm, further research must address the commonalities of financialised practices within other contexts in order to gain a more balanced understanding of how financialisation is enacted and unfolds across different spaces, markets, economies and geographical scales. For example, what are the core constituents and underlying principles, norms and imperatives ascribed to the financialisation of everyday life? What underlying tendencies exist when analysing the variegated processes of the financialisation of the state? Developing a concise and robust understanding of financialisation therefore depends upon extending this spatially and temporally sensitive approach to the alternative domains of finance in an attempt to grasp the very nature and essence of the variegated processes of financialisation.

Appendices

APPENDIX 1: EXAMPLE OF INTERVIEW SCHEDULE

The schedule consists of three broad areas of questioning, which would be asked to the majority of respondents, before showing questions tailored specifically to a pubco tenant. The last section would change depending on who was being interviewed (e.g. slightly different questions for journalists, campaigners, brewers).

1) Pub market questions

How would you define 'the pub'? Has your definition changed over time?

What are the main factors affecting the industry?

Why is the number of pubs falling?

Are all the different types of pubs sharing the same experience (e.g. differences between food led and wet pubs)? Do any types seem to fare better than others?

Are some places (towns/cities/regions) doing better than others? If so, where (at what scale) and why might this be?

How does the present situation compare to that of the sector prior to the Beer Orders?

How has the sector evolved over the years?

2) Regulatory questions

What role has government had in shaping the market in recent years?

What do you think the role/remit of regulators and government should be for the sector?

How effective have third party adjudicators (PICAS) and independent bodies commissioned with handling disputes been?

What could government do through legislation to help the industry? What do you think they should be doing?

What are your thoughts on the proposed statutory code / the dissolution of the beer tie?

3) Consumer questions

Are consumers in any way responsible for the recent experience of pubs?

Has a change in consumer culture had a role to play? (e.g. a shift towards healthier products, shopping habits)

What are the significant market shifts you've experienced over the years? (e.g. real ale revolution, more wine). Have any of these shifts positively/negatively impacted growth throughout the market?

4) Specific questions for a licensed tenant of a pubco

How did you enter the pub business? Why did you choose to enter into it? How long have you run this pub?

Are there significant differences between running a free-of-tie/managed pub as opposed to being a licensed tenant? If so, what are they?

Who is your pubco? How does your partnership work (who do you deal with, how do you order supplies, what happens if there is a major issue/problem)

How would you describe your relationship with your pubco?

What would you say are the advantages of working with a pubco? What would you say are the drawbacks associated with working with a pubco?

How and why has the pubco emerged as a major force in the industry?

How do you perceive the presence of pubcos in the industry (good/bad/indifferent)?

Are the large Pubcos all the same? How do they compete with one another?

What are the advantages/disadvantages of pubcos for the sector? Has pubco debt influenced the sector in any way?

What are your thoughts on the beer-tie? What are the advantages/disadvantages of it for the pubco and the advantages/disadvantages of it for the tenant?

What are the main challenges you face in terms of ensuring the success of your pub business?

Do you have any further contacts or useful documents?

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