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Article

Article

Losing ground: business power, standardized assets and the regulation of land acquisition taxes in Germany and Sweden

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Abstract

Previous literature on the nexus between land, finance and business power has not systematically analysed the role of the liquidity of businesses' assets. Combining process tracing with a comparative design, this study contributes a perspective on the role of standardized assets for business power. It investigates land acquisition tax reforms asking why institutional landowners' structural and instrumental power was successful in Sweden but not in Germany. In Germany, a reform was passed in 2021 which disadvantages the private market institutional landowners compared to their public counterparts. This study argues that the standardization of landed property as liquid stock enabled publicly listed property companies to unite with other stock market actors, increasing their power resources and allowing them to successfully promote their interests due to the liquidity demands of their assets. This stands in contrast to the poorer reception of the liquidity of private market actors in their land-related transactions.

Key words: power, taxation, financialization, interest groups

JEL classification: P16 political economy, G180 general financial markets: government policy and regulation

1. Introduction

Institutional landowners (ILOs), who directly or indirectly acquire and own landed property for its expected monetary return (Gunnoe, 2014, p. 479), are a powerful group of actors in today's economies. Not only are they able to issue control over the accessibility of locational space, depending on their legal relationship to the land they own. They also form a large heterogenous group of powerful financial players. Increased interest from institutional investors in including real property in their portfolio, along with regulatory changes, has opened up the possibilities for securitization and standardization of real property assets, thereby increasing the scope of investment opportunities in the sector. While, in principle, land is an extremely illiquid and heterogeneous asset class, financialization processes that integrate landed property into financial channels through various financing and participation models can create 'liquidity out of spatial fixity' (Gotham, 2009, p. 357) through a variety of financial conventions together with legal and technical devices (Gotham, 2009; van Loon and Aalbers, 2017; Fairbairn, 2020; Ouma, 2020). Scholarly interest in landed property as a target of institutional investors has grown in recent years, and the investors themselves as well as their strategies have received considerable attention, too (Haila, 1991; Lizieri, 2009; Gunnoe, 2014; van Loon and Aalbers, 2017). As more and different forms of institutional landownership gain prominence, it becomes apparent that ILOs have varying success in attaining their preferences in regulatory policy settings. This raises the question of what explains this variance, that is, under what conditions are some groups of ILOs more successful than others in asserting their position in regulatory policymaking processes?

To explore this question, I draw on the literature on business power to examine how different levels of asset standardization affect the success of ILOs in attaining their preferences. I develop my argument by tracing the process leading to the land transaction tax reform attempts in Sweden and Germany. In both Sweden and Germany, the looming reform targeted a wide range of actor groups and was of great concern to the commercial property sector (CPS) (I use the term 'commercial property' or 'commercial real estate' to refer to property that is acquired or held by ILOs for generating profits through rents or capital gains.). In both countries, the CPS exercised structural as well as instrumental power. Yet, the outcome differs, as in Sweden, the whole reform was shelved, while in Germany, the listed segment of the CPS was able to win concessions from the government. Given the workings of structural and instrumental business power described in previous research, we would expect the whole commercial property industry to be unsuccessful in Germany. While the differences in salience can explain the sector's success in Sweden and the defeat of the German private market segment, it cannot explain why the publicly listed part of the CPS managed to succeed. The public market segment can easily avoid paying the tax even after the reform, while the private market sector now finds it much more difficult to do so.

In line with my empirical findings, I argue that a standardized asset base broadens the potential for coalition formation within a specific policy area and consequently increases the power resources of actors involved. In the case of the Swedish CPS and the German public market segment of the CPS, the standardization of commercial property as stock broadened the power base and enabled the publicly listed ILOs to form cross-sectoral coalitions. With these findings, I contribute to the literature on business power by adding insights from the fields of land financialization and assetization. Financialization dynamics in the form of assetization tendencies offer the potential for broader power coalitions, meaning that the more the economy becomes assetized, the greater the potential for coalition formation among a broad group of economic actors, including those from non-financial sectors. This study shows that these tendencies even apply to a sector with very illiquid and heterogeneous assets like commercial real estate.

This article is structured as follows. First, the literature on business power is reviewed, specifically in relation to institutional landownership. Secondly, I outline the methodology, before in the third section, I explain the Swedish and German case and analyse the workings of business power and its scope conditions in light of the empirical material. In this section, I show how the German process deviated from the power mechanism outlined with regard to public but not to private market ILOs. The final section discusses this study's contribution to the literature on (land) financialization and business power.

2. Business power in the context of institutional landownership

The business sector can assert its power in regulatory processes in a number of ways, which have been extensively explored in previous research. Two important sources of power are instrumental and structural power. Instrumental power alludes to agency-based explanations, which can take the form of lobbying activities, such as campaigns, donations and personal meetings and connections, but also the transfer of skills and knowledge between the private sector and decision-makers (Young, 2015; Seabrooke and Tsingou, 2021). The disparity in technical expertise between policymakers and business experts is a critical factor in this (Hacker and Pierson, 2010), especially in highly technical issues such as the specifics of a particular tax or complicated financial instruments (Helleiner and Porter, 2010; Lall, 2015). Instrumental power can reinforce and be reinforced by structural power (Trampusch and Fastenrath, 2021). Structural power stems from the privileged position of the business sector in capitalist economies (Lindblom, 1977; Culpepper, 2015). Governments' reliance on the contribution business makes to economic growth, i.e. through investment, the provision of jobs, the provision of services, housing, the production of food and manufactured goods, can pressure politicians to regulate in favour of business even without their active involvement. Threats of disinvestment and 'exit' to more business-friendly locations can be strategically made through forms of instrumental power (Culpepper and Reinke, 2014) or implicitly depend on the perceptions of politicians. The mechanisms of structural business power are thus largely influenced by decision-makers' (normative) ideas about the prospective effects of regulatory change (Bell, 2012; Bell and Hindmoor, 2017) and play 'a key role in how and when structural power operates' (Fairfield, 2015, p. 416). If the real or perceived costs of withdrawal are too high, for example, if a firm's business model is focused on increasing investment in a particular region, or if a firm is too illiquid, structural power may lose its foundation.

Existing scholarship has identified institutional access points, in other words, groups having access to the policymaking process (Jabko and Massoc, 2012; James and Quaglia, 2017), as important scope conditions for business power mechanisms to work effectively. If there are multiple and institutionalized entry points, the opportunities for influence are increased. Furthermore, issue salience and the way the legitimacy of the issue is framed (Culpepper, 2010; Kastner, 2018; Keller, 2018) can contribute to business failure or success, as a factor or scope condition. Culpepper (2010) highlights that in situations of high public salience or noisy politics, the private sector is less likely to be able to influence the outcome of the regulatory decision making as public scrutiny is heightened. How salient an issue is and to what extent public scrutiny is encompassing can also be influenced by its technicality or by whether or not it is framed as technical. While this holds true for a variety of cases, sometimes this noisy politics can also be instrumentalized by businesses, especially if they manage to frame their position as more legitimate or viable than that of their opponents (Kastner, 2018; Keller, 2018; Emmenegger and Marx, 2019). Salience can also be evoked strategically by politicians, as Massoc (2019) found in her research on the tax on stock transfers. Lastly, preference heterogeneity within groups of actors needs to be considered. Despite often being presented as uniform, business interests with regard to the same policy can in fact be very diverse as more and more research is showing (Pagliari and Young, 2016; Young and Pagliari, 2017; Feldmann and Morgan, 2021; Mach *et al.*, 2021).

2.1 Power sources of finance and the CPS

Structural power implies different characteristics for the financial and real property sector than for other business sectors. The financial industry and the real property sector are tightly interwoven through direct (real estate-related investment, services and consumption) and indirect links (financing strategies); however, they start from fundamentally different levels of liquidity. The property sector deals in one of the least liquid assets: landed property, which in principle is neither homogenous nor standardized and entails high transaction costs, which usually imply the opposite of liquidity (Carruthers and Stinchcombe, 1999, p. 364). Liquidity in the form of capital mobility, in contrast, is especially enhanced in the financial sector and arguably, together with its centrality for financing for the productive sector and the state, gives the financial sector heightened power (Fairfield, 2015; Dafe *et al.*, 2022, p. 525). Its importance for the state is one of the reasons that the financial sector might benefit from 'solidaristic' mobilization in the interests of the financial sectors by other business sectors (Pagliari and Young, 2016, p. 328; Young and Pagliari, 2017).

Furthermore, and contrary to the assumption that structural power is solely dependent on a sector's or firm's contribution to or financing of the productive economy, a growing stream of literature has discovered other sources of structural power. Especially as the financial industry does not always contribute to productive investment (Dafe *et al.*, 2022), structural power must be based on and can derive from other sources. Providing infrastructure, for example stock exchanges or repo markets, enables (financial) actors to exercise structural power vis-à-vis the users of that infrastructure (Fichtner *et al.*, 2017; Braun, 2020; Petry, 2021). A state's development model (Dafe and Rethel, 2022) and their geoeconomic statecraft strategy (Massoc, 2022) can influence the structural position of financial actors such as banks. Further, control-based power has been explored in the context of financial actors. Braun (2022) argues that large asset managers' large and universalized ownership makes their business strategy illiquid and reduces their exit-based power, while it increases control-based power through concentrated and diversified asset ownership. Those underlying principles of control-based power can also occur in the non-financial sector and form the most obvious source of structural power for the large actors of the CPS. The nature of landed property as an illiquid business asset reduces mobility and exit opportunities, especially for the CPS's largest actors with their widespread, dispersed ownership. Their business model is built on continuous gains from rent by growing as provider on the market, similar in the profit logic to large asset managers. This builds their structural power around economic importance and control over assets. However, while the landed asset itself can of course not be moved, in its financialized form, commercial property ownership is subject to similar forces as and maintains similar power sources as the rest of the financial industry.

2.2 Business power and standardized assets

The assetization of land, embedded in the broader dynamics of financialization and explored in existing literature on assetization more generally (Birch and Muniesa, 2020; Langley, 2021) and assetization of land more specifically (van Loon and Aalbers, 2017; Birch and Ward, 2022; Christophers, 2023), elaborates on the processes leading to a multiplicity of possible investment strategies into landed property. Financial innovations increased the attractiveness of this asset class for a diverse group of investors with differing risk profiles and investment horizons (Achleitner and Wagner, 2005; Konings *et al.*, 2022). Indirect and open-end alternative investments, but especially listed share ownership, provide even landed property with a degree of liquidity. This does not necessarily work in the classical sense of capital mobility as exit and withdrawal but rather by managing to converge an illiquid asset with a market whose fundamental function is to be liquid, according to the current preconceptions of stock markets. Apart from differences in share valuation, there is little that distinguishes the shares of a real estate operating company (REOC) from those of an industrial company for the buyer—landed property becomes a standardized asset to be traded. This overcoming of the heterogeneity of the landed asset not only aligns the interest of investors in those shares with others, it also streamlines the interests of ILOs such as REOCs with those of other listed companies. Each, while very different when it comes to the more immediate business-related areas, has a similar interest in the smooth functioning of share trading. This convergence could enable public market ILOs to align with stock market actors in the struggles in the policymaking process. Hence, not only might the finance sector benefit from mobilization for their cause outside the financial sector, as Young and Pagliari (2017) propose, but also vice versa: Sectors that are not primarily financial, in this case the public market CPS, might benefit from the mobilization of the financial sector as well as from other financial market participants if they have shared business logic across the broader economy.

I argue that liquid and standardized assets lead to precisely such shared business logic. This increases business actors' preference alignment and thus their coalition formation potential. A stronger coalition can, in turn, wield strong business power. Figure 1 shows this

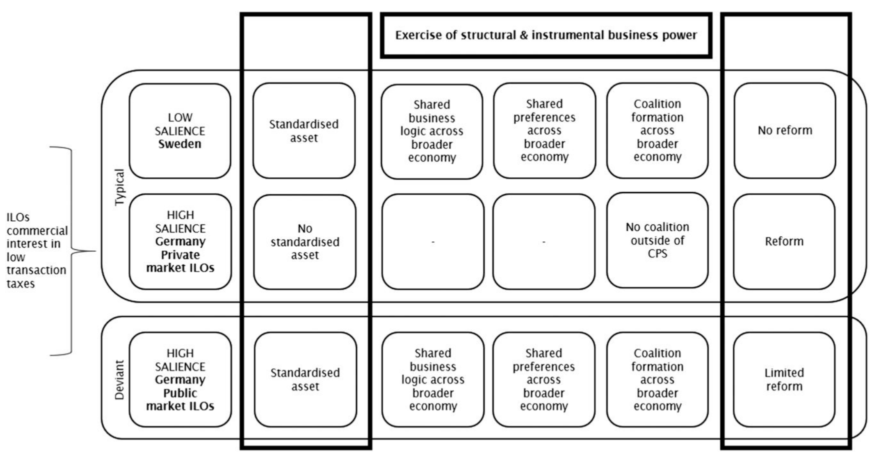

Figure 1. The theorized power mechanism for all three cases. *Source*: Own compilation.

theorized mechanism, already applied to the cases described below. Relating this back to ILOs, I would expect this possibility for coalition formation to be found less outside the organized market. Here, the heterogeneity of ILOs' assets diverges their preferences when it comes to taxes and other policies from other sectors and potentially even within the private market ILO sector. Of course, private market ILOs are not powerless. They still make up a large share of the CPS and provide similar goods to public market ILOs. However, the liquidity of private ILOs might not be as highly valued by policymakers as in the case of their public counterparts. When their strategy is short/medium-term and more speculative (which is the case for some, but of course not all), they can find it easier to exit and withdraw future investment, but might not be perceived by political actors as contributing much (societal) value. Generally, the public does not regard speculative real estate investment favourably, especially when there is a salient housing crisis. If they pursue longer term strategies, they might be more favoured but will have difficulties withdrawing investment.

The influence of salience has to be ruled out as an alternative explanation to test this argument. As Braun (2022) notes in the context of asset managers, control-based power is more visible than other forms of structural power and therefore easily politicized. This can also be transferred to the CPS, especially when more investment is needed to meet, for example, housing needs. In both Germany and Sweden, the government needs the private rental sector to manage much-needed housing supply, which is a pressing issue in both countries. Other aspects that could contribute to politicization are scandals around the reform topic but also the technicality of the tax reform or intentional mobilization by politicians. The cases are selected to control for the influence of salience.

3. Method and data

I use a condition-centred process-tracing design, as outlined by Beach and Pedersen (2018, p. 840), to investigate how a change in the land acquisition tax in Sweden was successfully prevented (typical case for theorized business power mechanism under low salience), while in Germany it led to a reformed tax scheme that mostly targets private market ILOs (typical case under high salience) but not public market ILOs (deviant case under high salience). A within-case investigation of the mechanism, that is the process of what happens between X and Y in order for X to causally influence Y, is thus compared with another within-case investigation of the links between cause and outcome (Trampusch and Palier, 2016). A systematic analysis of why the mechanism that works in one case breaks down in another helps to 'shed light on omitted causal or contextual conditions from the model' (Beach and Pedersen, 2018, p. 840). This type of process tracing aims to refine existing theories.

I investigate the reform processes around land transaction taxes on share deals (in contrast to asset deals) in Sweden and Germany. Share deals are not used to acquire a specific asset but any percentage of shares of an entire company, including all assets and liabilities that the company owns. A unit sale replaces the direct sale, advancing the transformation from a tangible to an intangible asset. In the context of landed property transactions, this acquisition method does not require a change in the land registry title as the owning corporation continues to be the legal owner, even if 99% of the shares were sold and de facto ownership had changed. As land transfer taxes are oftentimes tied to the change of legal ownership of landed property, share deals can thus enable tax avoidance. Selling property in the form of a share deal requires that property to be embedded in a corporate structure, which is why it is usually only ILOs that make use of this deal structure. Individuals are left with asset deals as those require less expertise and cost less.

The cases are selected as typical and deviant cases of how business works under conditions of low and high salience, respectively. This enables me to compare and evaluate whether my argument proves to be explanatory vis-à-vis the workings of salience. All selected cases displayed strong structural and instrumental power in response to the reform attempt, exercised by domestic actor groups. Generally, the CPS has a strong standing and the transaction volumes are very high in both countries, ranking them both at the top of the group of European countries just after the UK, according to industry reports (Newsec, 2021). Listed companies as well as their shareholders (in Germany with regard to the housing sector) are among the most active in acquiring and selling property and its shares (Franke, 2021; Pangea Property Partners, 2022). But the CPS is not the same in Sweden and Germany and the composition of investor types in the two countries differs. Notably, the share of listed real estate as a percentage of total commercial real estate is high, and on an upward trend in Sweden (around 23% in 2017 and around 45% in 2021) in comparison to other European countries, such as Germany, where it only made up around 6% in 2017 (European Public Real Estate Association, 2017, 2021). In addition to private actors, the semi-private and public providers also play a major role in Sweden, as much of the land is still owned by the municipalities and is also sold in packages in order to achieve some fiscal leverage. Furthermore, in Sweden domestic institutional investors are more relevant as the Swedish occupational pension but also the Swedish national public pension funds *Allmänna Pensionsfonder* have different types of real estate investment in their portfolios, the majority of which is in Sweden (Engström, 2021).

To test my argument, I evaluate a wide array of grey literature, such as primary documents from legislative processes and reports as well as press articles (from national newspapers and sector publications) as primary data sources. This is complemented by interviews and background discussions with 19 actors who are knowledgeable and/or involved in the land acquisition tax reforms in Sweden and Germany, including politicians, bureaucrats, industry representatives as well as academic experts on the subject matter.

4. Land transfer tax reform processes in Sweden and Germany

4.1 A sweeping response: Sweden

In Sweden, the broader CPS, together with allied sectors, was successfully able to prevent a reform of the transaction tax. The countries' political interest in the tax treatment of property transactions started to grow in 2011. Commercial property transactions had increased, especially after 2003, when the current tax regime was introduced. This regime enables tax-efficient packaged property transactions, resulting in nearly all acquisitions being conducted by buying a company or subsidiary that owns the property instead of buying a property directly (Eng, 2017, p. 140).

In 2015, the Swedish Finance Ministry (part of a coalition government of the Social Democrats and the Green Party) requested an inquiry into packaging and stamp duty. This inquiry ('Vissa frågor inom fastighets- och stämpelskatteområdet, SOU 2017:27') was supposed to investigate whether the real estate industry was undertaxed and how packaging is used to circumvent taxes, thus undermining the legitimacy of the tax system (Finansdepartementet, 2015, pp. 11–12). The final report was presented in early 2017. It proposed a reform of the taxation of direct and indirect acquisition to eliminate opportunities for tax avoidance and to increase transparency on the market. Stamp duty on the transfer of ownership of the land was supposed to be lowered from 4.5% to 2% and abolished completely for intra-group transactions (Eng, 2017). Overall, the proposed changes would have affected the whole CPS, but those with the highest transaction rate would have been impacted the most (Eng, 2017, p. 18). Listed property companies, however, were exempt from the whole investigation because it was argued that listing is not done for tax evasion purposes and that these are not packaging companies themselves (Interviewee 12, personal communication, May 10, 2022). In this way, REOCs (but not their subsidiaries) managed to avoid being the topic of the discussion with regard to paying stamp duty, which they currently do not have to do for their stock market transactions, even if they acquire shares of other property companies. The inquiry aimed for the recommended changes to enter into force in July 2018, but the Ministry of Finance announced shortly after the publication of the report that the item would not be included in the year's budget bill where tax proposals for the next year would normally appear. After a short period of uncertainty within the CPS, some speculation on how parts of the proposal could be turned into legislation (Grossman, 2017) and the issue occasionally being raised during parliamentary questions, there was no political will to pick the topic up again and business proceeded as usual. In principle, the proposal or at least parts of it could still go forward, but it is not expected to do so (Interviewee 12, personal communication, May 10, 2022, Interviewee 13, personal communication, May 11, 2022).

Business power in the Swedish reform process

The CPS and broader industry and financial sector used their instrumental and structural power to influence the reform attempt under conditions of broad preference homogeneity and in an environment of low salience. Early on in the investigation, as is customary, experts from various interest groups, such as government and bureaucratic officials (from the Tax Department and the Swedish Cadastral Authority), industry and private sector associations (*Fastighetsägarna*, *Byggföretagen*, *Svenskt Näringsliv*) and consultancies (*PricewaterhouseCoopers*—PwC) were included. They cooperated closely with the investigator, some of them knowing her on a personal level (Interviewee 12, personal communication, May 10, 2022). While most where assigned to the investigation by the government, at least the construction industries' association *Byggföretagen* approached the investigator itself and was subsequently included in the circle of experts. All the experts were permitted to discuss their positions within their organization but were obliged to maintain confidentiality regarding the content of the ongoing inquiry. Despite being included early on in the process and having ample opportunity for institutional access, industry actors made use of the possibility to express their opinion in an additional statement, which was added to the official investigation report presented to the ministry. They also submitted opinions in the subsequent public consultation (*Remiss*).

There was a broad preference homogeneity in the response to the inquiry despite the reform targeting some actors more than others. The stance against the proposal by the property and business sector as well as by other institutional investors was presented as uniform which gave it a lot of leverage. While housing was one issue, institutional investors argued that the reform could pose financial risks to the entire national economy (Svensk Försäkring, 2017; Svenska Bankföreningen, 2017). The associations that had already been extensively consulted during the investigation spread the word that the effects of the proposal had not been adequately researched and that it would have a detrimental impact on the Swedish economy, further investment, land prices and housing construction and would threaten the country's financial stability (Werkell, 2017). These arguments are aligned with the structural position of the Swedish CPS. The value-added of the real estate industry has been between 8% and 9% of the total value-added (OECD, n.d.a) and contributes a considerable share of total gross fixed capital formation (OECD, n.d.b). The wider real estate sector employs a sizeable workforce (Fastighetsägarna, n.d.). Furthermore, Sweden, considers itself to be facing a housing crisis and in the process of transitioning from a more state-led to a more market-led approach to housing. The construction sector, in particular, which also assumes an ownership role, but also the residential sector in urban and rural areas with its various financing institutions are perceived as vital in alleviating the country's current predicaments. Both the large stock already owned and the future investment the government hopes will still be made by the sector play an important role. The housing issue was connected to transaction and market liquidity levels with the risk of the lock-in effect of money reducing the supply of commercial property on the market. Against this background, lobbying tactics as a form of instrumental power exercise, such as the organization of a seminar by the CPS to explain the technical reform and its unworkability to politicians, were employed (Interviewee 13, personal communication, May 11, 2022).

Additionally, municipalities and the tenant cooperatives adopted a relatively uniformly negative position towards the proposal. The latter were in favour of fiscal neutrality between types of property transfers and worried about short-term investment horizons of institutional investors. However, as share deals are used for most Swedish property transactions, they were concerned that that tenants would suffer under a less liquid market if the proposal were implemented (Hyresgästföreningen, 2017). Municipalities welcomed certain aspects, such as enhanced transparency, but were generally critical since many Swedish municipalities, for example Stockholm, are large landowners and partially dependent on the sale of this land, also in packaged form, to increase their fiscal space (Hall et al., 2017; Stockholms stad, 2017). The agriculture and forestry sector were also opposed to the reform, but they were more diplomatic in their opinions about the proposal (Interviewee 12, personal communication, May 10, 2022; Lantbrukarnas Riksförbund, 2017). Notably, some individual companies apparently approached the investigator in confidence during the years of the inquiry, expressing their consent to the proposals and welcoming the step away from packaging and share deals as the modus operandi (Interviewee 12, personal communication, May 10, 2022).

The reform attempt mostly remained outside of the public eye, even though politicians behind the scenes were initially rather favourable towards the proposals (Interviewee 12, personal communication, May 10, 2022; Interviewee 13, personal communication, May 11, 2022) and did not share preferences with the private sector. As is common, during the investigation the topic was not discussed politically (Interviewee 12, personal communication, May 10, 2022). The results of the *Remiss* were published during a time of moderate political turmoil due to changes in the elections coming up the next year. Against this backdrop, the investigator presented far-reaching proposals to reduce the benefits of property packaging in what was an almost 450-page report. Hence, the discussion on the issue was highly technical with high entry barriers for politicians, the general public and civil society interest group organizations (Interviewee 12, personal communication, May 10, 2022; Interviewee 14, personal communication, March 29, 2022). This is one factor that influenced salience, another being that the business sector already has to pay nearly 3 percentage points more stamp duty on property acquisitions than individuals do. This tax rate difference works in favour of the general public and people did not feel personally affected by an injustice, the likely effect of which was that there was less interest in this specific topic than in other housing-related topics (Interviewee 14, personal communication, March 29, 2022). All in all, the political response and thus also the salience in politics as well as in society at large was extremely low. One of the only public political statements came from the Green Party's Minister of Housing Peter Eriksson two months after the inquiry was published. By then he was certain about the detrimental effect the proposal would have on housing and thus, during a CPS event, stated that it should be discarded (Ringdahl, 2017). The Ministry of Finance later clarified that this was Eriksson's personal opinion. Only real estate and business magazines reported on the subject, mostly after the publication of the inquiry.

Overall, businesses' response to the reform was strong and swift. Arguably, one of the reasons for how well the exercise of structural and instrumental power worked in Sweden was the broad coalition of the groups most involved. This coalition could be formed on the basis of similar business strategies that are dependent on a liquid property market, which applies to both public and private sector actors. The low salience was an effect of exogenous aspects, such as the lack of scandals and feelings of injustice, as well as of the technicality. The German cases which are laid out next help to dissect how decisive these factors are and how much of a role each of them plays in the functioning of the business power mechanism.

4.2 Mixed success: Germany

Despite similarities to the Swedish case in terms of the exercise of business power and institutional access, the situation in Germany evolved differently, especially with regard to salience levels. The cases show how decisive asset standardization and the resulting preference homogeneity was in the CPS's preference attainment.

On the German federal level, the foundation of today's land transfer tax law was introduced in 1983. In order to prevent tax avoidance, at the end of the 1990s, it was prescribed that the land transfer tax would be triggered if 95% of the shares of a property-owning partnership (*Personengesellschaft*) changed owners within 5 years (Tappe, 2021). This was the status of the regulation until 2021 when the latest reform shifted the aforementioned baselines and increased the range of relevant company types from just partnerships to also include corporations (*Kapitalgesellschaften*). An exception is made for shares of corporations that are listed on a compilation of stock exchanges (this is different to Sweden, where listed companies were exempt from the outset). A long process led up to this reform and the subject was discussed from various policy angles (e.g. agriculture, housing) at both the state and federal level. The states are the recipients of the land transfer tax and can choose the level of the tax which currently lies between 3.5% and 6%. This of course increases federal states' stake in the matter and the reform attempt started with a working group of state-level finance ministries (with the support of the federal Ministry of Finance) while the federal level was still hesitant (Deutscher Bundestag, 2017, p. 5). The process gathered speed in 2018 when reforming share deals was mentioned in the coalition agreement and the federal working group formulated an initial proposal. Its most important points were the inclusion of corporations in the company types that are subject to the regulation, the change in the percentage of shares and number of years these would have to be held before changing ownership again in order for a company to be exempt from paying the land transfer tax. Notably, the exemption for corporations listed on stock markets was not included yet. After a hearing in the Construction Committee with various interest group representatives in attendance and circulation for comments to a non-public mailing list, the government published the first legal draft in September 2019, which adopted the working group's proposals unchanged. Only after this, later in September, did the Bundesrat add the passage on exemptions for companies listed on those public exchanges (called the *Börsenklausel*) that are considered to be regulated by similar standards according to the European Securities and Markets Authority (Bundesrat, 2019). Marketplaces not classified in this way, such as the Swiss or the London exchange, are not exempt. The draft was discussed in parliament and in a public hearing and subsequently rarely publicly mentioned at the political level until early 2021 (federal election year), when to the surprise of many, it was rapidly turned into legislation. Now, the hurdles for conducting share deals are much higher for the private market CPS. Other goals of the reform are not met, namely stopping the largest (listed) actors from being able to avoid the land transfer tax and refraining from making the situation more difficult for SMEs and non-property sectors ('combating share deals' is in the new coalition agreement). Despite exemptions for restructuring within companies, the rules are so all-encompassing that non-listed SMEs from any sector might have to pay the land transfer tax if they restructure their holding too much. The public market segment, with listed REOCs as biggest owners, can avoid paying the tax even if their whole business strategy is focused on real estate transactions. Moreover, for the largest deals it can still be lucrative to use a share deal structure with the new thresholds or even to consider a listing. It is also still possible to circumvent pre-emption rights as no additional measures have been taken to increase transparency.

Business power in the German reform process

In Germany, too, instrumental and structural power was employed to influence the reform attempt, but this time in a high salience environment. Despite widespread criticism from various political camps, the property industry and civil society actors, the content of the reform remained virtually the same as in 2018. Alternative models were advanced and discussed by scientific experts as well as by political camps, first and foremost the Green Party but also the government (SPD and CDU). Nevertheless, the only real change between the first draft and the legal ratification was the addition of the exemption for listed corporations. Throughout the reform process, there were institutionalized and non-institutionalized meetings, including on the initiative of political actors, on both the federal and the state level. The CPS was mainly represented by its central industry association, the German Property Federation (ZIA). Its members include a variety of actors from the sector, representing public and private market ILOs equally (Interviewee 6, personal communication, February 2, 2022). The ZIA, but also other German property associations (VDIV, BFW, GdW) and individual companies, especially Vonovia (Germany's biggest REOC held around 16 personal talks as well as official meetings), had regular opportunities to talk about the draft legislation with representatives at the highest levels of government in 2018 and beyond (BMI, 2021; Interviewee 3, personal communication, February 21, 2022; Interviewee 6, personal communication, February 2, 2022). It can also be assumed that the contact with high-ranking civil servants had an impact. The bureaucratic leadership of one of the Ministry of Finance departments involved in the design of the reform was mentioned repeatedly by interviewees as significantly influencing the draft early on, with warnings about overcomplexity from tighter rules or systems of proportionate taxation and having extremely close ties with the real estate industry and its legal advisors (Interviewee 5, personal communication, December 17, 2022; Interviewee 3, personal communication, February 21, 2022). Some said that the head of the department acted as an internal lobbyist for the real estate industry, appearing at respective conferences to talk about this topic in as early as 2018 (Interviewee 7, personal communication, January 5, 2022). This, among other things, certainly contributed to how well prepared the property sector was for the changes (e.g. Interviewee 2, personal communication, January 14, 2022). The length of time it took to implement the reform ultimately resulting in an unchanged draft gave the business sector several years to prepare for changes and engage with the decision-makers.

While the focus in Sweden was mainly on how a reform might harm housing provision, the main topic in Germany was how it would disadvantage Germany's general competitiveness (Ausschuss für Bau, Wohnen, Stadtentwicklung und Kommunen, 2019; Finanzausschuss, 2019; ZIA, 2019b). The CPS is an important sector in the German economy contributing 10% and 11% of the country's total value-added Germany in the last years (OECD, n.d.a). Similar to Sweden, the CPS makes up the highest share of investment in total investment (OECD, n.d.b) and employs a large workforce (ZIA, n.d.). The demand for more and affordable housing has reached the middle of society in Germany in recent years. Also, like Sweden, Germany sees itself as dependent on investment and a smoothly functioning market in the CPS and strives not to disrupt the status quo of land acquisition taxes and regulations too much.

At times, the reform has attracted quite some attention. The main debate has been around injustices between the corporate sectors and individuals with regard to tax payments on property transfers. In Germany, unlike Sweden, individuals have to pay the same tax rate as corporations, while not being able to use share deals. Against this background, well-known cases of big share deals where the land transfer tax was supposedly not paid, such as the selling of the Sony Centre in Berlin, led to public outcry and heightened scrutiny regarding this tax issue (Rada, 2017; Reichel, 2017). Hence, the salience of the issue mainly involved share deals as misusing tax regulations to transfer properties even if the specificities of the more technical aspects were not always covered in detail. Although the impact of the reform on construction prevalence and rents was brought up by the CPS and some politicians, these topics found only moderate resonance because the subject was framed as a matter of justice between big corporations and individuals who have to pay the tax (Finanzausschuss, 2019; ZIA, 2019a, 2022) and arose at a time were the Berlin rent cap was salient and thus pressure on politicians, some of whom were interested in using the topic for their agenda (Interviewee 15, personal communication, December 20, 2021), was high.

The German CPS's response to the reform was strong, too. As was the salience pressure that had been absent in Sweden. While salience due to scandals, mobilizing parts of the opposition, and partially employed intentionally by pro-reform politicians can explain why the private market CPS segment lost in Germany (in comparison to Sweden), it cannot explain why the public market segment gained concessions.

A standardized asset for a broader power base

I argue that these concessions are due to the broader coalition of actors opposing the reform which developed because of standardized assets. In Germany, municipal actors and activist groups, as well as the tenant association and the association for private property *Haus & Grund* made similar calls for a stricter regulation (much to everyone's surprise as the latter two usually oppose each other). Thus, while the preferences of groups of actors involved were slightly more heterogeneous, this did not apply to the CPS. All market segments, mostly represented by the ZIA, were against stricter rules overall and did not diverge with regard to the specificities of the reform. However, the private market sector, including large foreign investors, did not opt to speak separately, instead letting the ZIA represent them too. The wider industry, in an attempt to avoid being collateral damage, was open to a more far-reaching reform of the land transfer tax. However, within the confines of the proposal, it was not explicitly opposed to the CPS's position and especially supported the efforts to introduce a *Börsenklausel* (Interviewee 6, personal communication, February 2, 2022). Though not at the level of Swedish preference homogeneity, the German CPS and business sector were far from divided.

Politicians took the need for investment in housing and agriculture seriously in Germany. However, the fact that share deal transactions were perceived as morally wrong made the property sector's argument that the reform would be detrimental to this sector unconvincing (Deutscher Bundestag, 2019, 2021). It undermined the power of the whole sector but especially of short- or medium-term ILOs with a high transaction rate. This was also demonstrated by the fact that after the hearing in the Construction Committee in mid-2019, the ZIA refocused its argumentation on the effects on the economy as a whole and on infrastructure problems, did not even mention the housing sector in the hearing in the Ministry of Finance and only briefly referred to it in its statement (ZIA, 2019b). After initially working alone, finding commonalities with other actors became a priority for the CPS in light of a seemingly inevitable reform. The biggest industry association (Bundesverband der Deutschen Industrie—BDI), together with the stock market association (Deutsches Aktieninstitut—DAI) and the ZIA worked together to ensure that at least listed companies overall would not be targeted by the reform (Interviewee 10, personal communication, February 8, 2022). Although they were also generally (though not very strongly) opposed to the content of the reform, the DAI and BDI had their own interest in the matter, as the whole stock market and the BDIs members would have to pay land transfer tax in some instances and they wanted to maintain a broad range of options for their holding structures. Shortly before the *Börsenklausel* was integrated into the 2019 draft by the Bundesrat, led by the state of Hesse (due to the Frankfurt Stock Exchange, it has a special interest in the selling of stock working flawlessly), a coalition of associations, including the biggest industry organizations as well as banking and insurance associations, wrote a common statement to the federal working group. This statement mainly focused on the possible collateral damage of the planned reform due to its inclusion of listed companies (Deutscher Industrie- und Handelskammertag, Bundesverband der Deutschen Industrie, Zentralverband des Deutschen Handwerks, Bundesvereinigung der Deutschen Arbeitgeberverbände, Bundesverband Deutscher Banken, Gesamtverband der Deutschen Versicherungswirtschaft, Handelsverband Deutschland, Bundesverband Grosshandel and Aussenhandel, Dienstleistungen, 2019). Arguments along these lines had already repeatedly been made. The coalition insisted that the shares of listed companies are too liquid for them to be able to trace the changes in shareholders (Ausschuss für Bau, Wohnen, Stadtentwicklung und Kommunen, 2019). It was also argued that the nature of the stock market is for shares to be liquid, no matter what asset underlies those shares, as they are embedded in the stock market in a standardized way. The difficulty of tracking changes and the reduction in liquidity was debated by legal experts but readily accepted by political actors (Interviewee 7, personal communication, January 5, 2022) who found it hard to follow the details of the technical discussions and who were reminded of the technical difficulties by their respective civil servants. Politicians were concerned that those companies would just use non-EU marketplaces to go public and that the flexibility of (property) funds would be reduced (Interviewee 3, personal communication, February 21, 2022; Interviewee 6, personal communication, February 2, 2022) as argued by the ZIA, BDI and DAI (BDI, 2019; Deutsches Aktieninstitut e. V, 2019; ZIA, 2019a). Another fear was a general reduction of transactions, which would harm Germany as an investment location (Interviewee 8, personal communication, January 17, 2022), but it was the liquidity of stock which was perceived as an actual necessity, no matter the business asset. The biggest REOCs also got involved and Vonovia's CEO even contacted the Bundesrat directly, which was an unusual step (Interviewee 6, personal communication, February 2, 2022; Interviewee 8, personal communication, January 17, 2022). Public equity ILOs, whose biggest actors are also members of the DAI and BDI, among others, thus profited from the power of the rest of the industry and were able to emphasize the need for liquidity of their indirect landholding, despite the fact that it was this very liquidity that was criticized in private market ILOs' deals in the form of share deals.

Overall, domestic actors dominated the discussion while international or foreign actors were not active and neither institutional investors nor asset managers were involved (Interviewee 10, personal communication, February 2, 2022; Interviewee 6, personal communication, February 2, 2022). This stands in contrast to the Swedish case where domestic pension funds and domestic banks were vocal in lobbying against the reform. In Germany, the discussion on tying the land transfer tax to capitalized earning power from property instead of to a change in legal ownership was prevented by a broad coalition of non-financial listed firms, granting legitimacy and reducing transaction costs for listed commercial property holdings. The private market CPS did not manage to broaden their support base for the reform more generally, nor did individual actors propose actions or make statements. While the ZIA also lobbied for them, they barely positioned themselves separately, as was the case for big REOCs, and had no alliance compared to their public counterparts as they found no common ground.

Based on the above, the German case appears to be twofold. On the one hand, the business power mechanism worked in a way that is typical for private market ILOs under conditions of high salience. Since it was their high transaction activity that received negative attention as a result of scandals that were taken up by politicians, this could not serve as a power resource. A reform has been ratified that makes it considerably more difficult for smaller and private market ILOs to circumvent the land transfer tax. On the other hand, the public market ILOs have successfully employed their power, gaining concessions from the government with regard to the reform, in the same circumstances in which their private counterpart failed. Here, the mechanism broke down. As the main aim of industry as well as stock market representatives was for their members not to be targeted in this reform process, public market ILOs were able to align with them through the shared business logic of their standardized assets and together they were able to use as a source of power the economic importance of the stock market and its necessity to enable the liquid trade of stock to achieve exemption from the reform. Furthermore, they conveyed a credible threat of fewer transactions and potential economic backlash to politicians, arguing that the liquidity of the stock exchange would be reduced and fewer actors would seek listings in Germany due to the worsened conditions. The double position of public market ILOs as large direct landholder and listed stock holding corporation enabled them to align themselves with the wider stock market's structural position. In addition to their control-based power through economic importance, being listed meant their goals converged due to the uniform needs of a standardized asset.

5. Conclusion

The range of commercial property investment strategies and potential investors is wide. The alignment of landed property with the stock market has not only opened this asset class to mainstream investments. The resulting standardization of this highly heterogeneous asset class has also provided its owners with opportunities not available to other groups in the CPS. In this study, I show that this enables public market ILOs to join forces with other actors, in the cases at hand with listed companies, making public equity a vehicle for business power with regard to an otherwise illiquid and heterogeneous asset. Public market ILOs were in the driver's seat, extending their power. In Sweden, where the whole industry is more embedded in the stock market, private and public market ILOs had similar goals, and a unified group employed their power against the reform of the land transfer tax on share deals and packaged transactions. The response of the property sectors and their allied groups was huge and had a commensurate effect as they managed to use their structural and instrumental power successfully, just as the business power mechanism typically works in a low salience environment. The sectors' united front and inclusion of a variety of actors, even those that would not be so badly affected by the proposal, helped the CPS to institutionalize their advantage, ensuring that their liquidity would not decrease and the conception of ownership that is the basis for land transfer taxation remains intact. In Germany, the public equity ILOs form a much smaller group of the total CPS. Nevertheless, they were the only group to successfully avoid being affected by the reform. Together with the wider industry and specifically the listed companies, they were able to convince political actors in a situation of high salience of the necessity for liquidity in these standardized assets, even if this concerned a direct target of the share deal reform such as the REOC Vonovia. Private market ILOs could not use the same arguments, as liquidity in the housing market was not really equated with something desirable for German politicians in a situation where speculative property investment and tax-free transactions were subject to high public salience. These findings add to the literature by using insights from research on assetization and business power to show how standardization efforts, as a product of ownership dynamics, open up new opportunities for coalition formation. I expect preferences to converge in the political arena to the extent that the business logics of financialized assets spread through the economy, expanding a power source that cannot fully be captured by previously theorized business power mechanisms.

My study suggests four avenues for further research in comparative and international political economy. First, due to their assets' exceptional illiquidity in the universe of different asset classes before financialized logics are applied to them, ILOs form a rather unlikely group in the context of this study. This in turn implies that the form of preference convergence described should be easier for other, more standardized business logics. Thus, further research should explore whether the findings of this study also hold for other asset classes, that is, whether assetization dynamics really do lead to the convergence of broad and widespread preferences in the larger economy and also across national boundaries, increasing the business power of non-financial firms. And whether there are conditions under which a sector refuses to enter into an alliance with other actors, even if they are aligned through the same standardization of their assets. Secondly, the implications of asset standardization for strategies of regulatory arbitrage should be studied. Does the mechanism I identify translate to the international level? This is an open question, as non-financial firms can potentially use this power resource to more easily engage in coalition formation when moving across jurisdictions and levels of financial abstraction. However, protectionist measures or regulations that simply treat foreign and domestic actors and financial and non-financial actors differently could also render the mechanism useless. Thirdly, asset standardization can provide an alternative to structural power based on exit threats by broadening coalition potential through preference convergence, not only for non-financial firms. While this article focuses mostly on the non-financial sector, this possibility of preference convergence potentially also encompasses financial actor groups, namely, institutional investors and providers of financial infrastructure or standardizing institutions. Importantly, the latter are a precondition for asset standardization-based business power as they provide the framework for the standardization, denoting the entanglements between infrastructural power and asset standardization-based power, which should be explored further. The former, namely the institutional investors, can use this asset standardization as a vehicle to avoid lobbying efforts themselves because of the infrastructural dependencies of the non-financial actors. Furthermore, it is worth investigating institutional investors' potential use of this power source in light of current global financial market trends. While passive investment strategies based on public market assets have gained prominence, allowing their investors to benefit from the power source of standardization even for illiquid assets, the private market sector is growing rapidly. Financial innovations could potentially provide standardizing tools in this segment as well, paving the way for a deliberate use of it as a power source. Alternatively, the growth of the private market sector could make this source of power less relevant. This leads to the fourth and final point, which suggests an interesting avenue for further research. Namely, whether, in light of progressive assetization, appealing to a common denominator through a standardized asset is used unwittingly or whether it is used as a deliberate strategy to gain business power and attain preferences.

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