

Transcript of the Taxcast and The Byline Times, Private Equity, Hettie O'Brien and Alex Cobham, 4 May 2026

Naomi: *Hello and welcome to the Taxcast, the Tax Justice Network podcast. We've got something a bit different for you with this episode, it's a joint podcast with the brilliant Byline Times podcast and its host Adrian Goldberg. And we're taking about Private Equity. Private Equity is something that's gone under the radar for a very long time so – what is it, how is it affecting our lives? We talk here to Hettie O'Brien who's written a brilliant book all about it. For us at the Tax Justice Network, Private Equity demonstrates really well why we research and campaign for a better, sustainable economy, transparent ownership and a fairer tax system – a tax system that can also act to rein in damaging economic activity, something you see a lot of with Private Equity. So, here it is, your usual Taxcast will be out soon. In the meantime, enjoy this listen:*

Adrian Goldberg: Hi there, and welcome to The Byline Times Podcast from The Byline Times with me, Adrian Goldberg, this time in conjunction with the excellent Taxcast podcast and its presenter, Naomi Fowler. Hi, Naomi!

Naomi Fowler: Hi, Adrian. And, uh, we're looking at private equity today. It's a financial beast let loose in the 1980s. It's having profound consequences for private enterprise and public services.

Adrian Goldberg: Yeah, whether we're talking about pubs, care homes, the water industry, investment funds have seen value and extracted it, both for investors and themselves, but often at the expense of the customers who pay for those services.

Naomi Fowler: So how did that happen, and what can we do about it?

Adrian Goldberg: Well, to answer that question, or those questions, we are joined by Hettie O'Brien, who recently published *The Asset Class: How Private Equity Turned Capitalism Against Itself*, which is an immensely readable chronology of both the ideology and the impact of a financial instrument that most people are unaware of, but which has a huge impact on our daily lives.

Naomi Fowler: And we're also joined by Alex Cobham from the Tax Justice Network, and he's got a few ideas about how to tame the beast and put it back in its cage.

Adrian Goldberg: So let's get cracking. Hetty, let's start then by understanding what private equity is, or at least private equity in the sense in which you mean it in your book.

Hettie O'Brien: Well, I think when I try and explain private equity to people, the term itself doesn't actually do that much to help because it is a sort of form of camouflage. It doesn't tell you anything about what private equity involved. Um, and so I think of it as you're thinking about something called a leveraged buyout, um, and that's really at the heart of what private equity has historically been about and is still about.

Um, if you or I were to go and buy something using a credit card, we would typically expect to pay off that debt, and we'd be responsible for servicing that debt. Um, when a private equity fund buys a company or a form of infrastructure or asset of some s- of some sort, they will load that debt onto the company or asset they have just acquired. They will borrow the money, and they will ensure that it is somebody else's responsibility for paying it off. And when you think about the consequences of that debt, not only does that model encourage forms of recklessness and risk-taking that you or I might be inclined to involve if we were the owners of a company, but also it means that that company has less cash available to service other ends, whether that's making products or providing a service, providing a care home service, say, to your elderly relative because that company is spending more and more money on servicing debt. So that really is at the heart of what private equity is. And as you say-

Adrian Goldberg: Yeah, well, let's just, just try and break that down though. Traditionally, if you were trying to buy a company, you might invest your own money to buy that company and take a risk on improving that company, and if that company was then successful further down the line, you would get some reward for your investment. That's kind of how capitalism traditionally worked. And you might also go to a bank, let's say, and as well as your own investment, you might get the bank or a- another investor to help you out in making that purchase. But there would be some risk involved to you, so that if you didn't turn said company around, you would lose your money. And what's clever about these leveraged buyouts from the point of view of the investors is that they generally, the investment funds, put very little of their own money in. They'll borrow huge amounts from banks and other investors, but those borrowings then are put onto the company, so that if the company fails, it's the company that takes the hit, and there are interest charges on those debts, and those interest charges are paid by the company. It's how the Glazers bought Manchester United, for example. That's how it works. Is that right?

Hettie O'Brien: Basically, that's right. Um, and you could argue that this isn't really capitalism, at least in the sense that we understand it. We think of, or at least we've been told, many of us have b- come to believe that capitalism is a type of kind of entrepreneurialism, involves risk-taking, involves the production of things that didn't already exist.

Actually, this is a model of outsourcing risks. It doesn't really involve taking risks at the level of fund managers, and it's also deeply opaque in the sense that we can't see exactly what the consequences of all this borrowing are for these companies and how much of the taxes that they're m- managing to minimise through interest payments as you've kind of alluded to there, or how much of their profits are going offshore and so on.

So yeah, I think for a lot of people, this doesn't really look like capitalism in the, in the free market, blue-blooded sense of that term that we're used to hearing.

Adrian Goldberg: Yeah. So if people think of some of the big names in this world, people like Blackstone, which is a, a US company, or in the UK, Terra Firma, which was run by a guy called Guy Hands, and you, you kind of... you outline really how those companies were, uh, uh... Essentially the, it's, it's all about de-risking, isn't it? You, you take over often distressed companies- You will charge them management fees, which means that any investment that you've put in will actually be covered by the management fees that you charge for the, uh, the companies that you're running. But again, crucially, this idea of putting the, the interest payments of paying the initial loan which you used to buy the company onto the company itself, that's the bit where as an investment fund you're, you're de-risking and making sure that whatever happens, you're not gonna be out of money.

Hettie O'Brien: Yeah. That's, that's correct. I mean, uh, when you think about also how we tend to think about debt, at least in the public sphere, e- ever since, uh, 2008 really we've been sold this idea that austerity is necessary because debt should be avoided because public borrowing is impossible or unfeasible.

And so on one hand, you have this acceptance of *public* austerity when it comes to the funding of infrastructure and so on in the public realm. But on the other hand, you have this massive buildup of private leverage, and that's having real consequences both for the infrastructure we depend on, such as water companies, care homes, and so on, but also because it's helping to arguably destabilise the financial system. Um, and that's what regulators are really worried about now. They're thinking, "Hold on. Has this gone too far? What's all this leverage going to do if, if this, if this suddenly bursts?"

Adrian Goldberg: Hmm. Uh, just wanna go back to the, the ideology as, as well of this, because this goes back really to the '70s, doesn't it, and maybe even earlier. But you talk about the, the sense that people who were behind the origins of this kind of private equity were anti-bureaucracy, anti-state involvement. A lot of it was driven by this sense of the private enterprise can do things more efficiently by government. We're all familiar with this kind of ideology really from Thatcher, Thatcherite times onwards. But this sense of y-get the state out of our hair, let, let private enterprise manage these things 'cause they can do it so much better.

Hettie O'Brien: Yeah, I think that's true. I think there's also, um, the... I mean, there's one really interesting character I write about in the book who I really loved finding out more about, which was William Simon, this, um, guy who played a really important role in the Nixon administration, and he made a number of trips to Russia during the late 197- or mid-1970s, and he saw in the, in, in the communist Russia this kind of creeping threat that was spreading outwards from Russia to Europe and then would eventually infect America.

And he then left government and start- founded one of the first leveraged buyout operations in the US, which Blackstone actually looked to as a model of how to do business. So it was really, uh, very much an inspiration to others working on Wall Street, what he did. Um, and to him, leveraged buyouts really were a way of ins- instilling greater control across the whole economy on the part of a very small group of very rich men who basically do remain unaccountable to the rest of us.

But also when you look at where that's taking the economy more broadly, or at least the political economy and politics in general, you see, you can see this trace this as almost as a return to the pre-1929 American economy, where you don't have the same forms of transparency, you don't have the same controls on basically what, what look today more and more like oligarchy.

And you have in sen- in, in a sense, this economy that is deeply private, where wealth is held in very few hands and where there is a massive problem with, with things like investors getting ripped off, pe- ordinary people getting ripped off. And arguably that's where America's economy is currently headed and where, and, and what the Trump administration seems to be hoping to bring into being.

Adrian Goldberg: And this was, uh, it kind of really took off, didn't it, in Reaga- Reagan's times in the United States, but also enthusiastically adopted here in the UK, as I mentioned, from Thatcher's time onwards, this, it kind of...

Private investors managed to persuade government, private equity managed to persuade government that it was better at handling large sums of money and large scale projects, whether we're talking about railway privatisation, which I know came later in Major's time, uh, or whether it was care homes, private equity was capable of and better than the state at handling these areas of important public life.

Hettie O'Brien: Yeah, and you see that today increasingly as well, where you have this reliance upon private capital to fill the goals left by the retreat of state funding, and a sense in which this can help square the circle where the current Labour government has set itself very constricting fiscal rules that it needs to abide by so it doesn't want to borrow more than what it's already set out, and so therefore it will h- it's increasingly relying upon private capital to do that work. But that then shapes the types of investment you end up with. So you hear a lot about infrastructure, and you think about that as something being something that would basically improve your life, whether that's a road or a railway or something like that. And then you see actually what infrastructure *means* when it, thinking of it, of it from a private equity perspective, is something like data centres. So you get Keir Starmer announcing on LinkedIn that Blackstone is helping to build new data centres in Britain, and isn't that a win for Britain? Well, not really, if you want infrastructure rather than just real estate speculation. So I think it really also, that approach shapes the types of things we end up with as a society.

Adrian Goldberg: In terms of where private equity went wrong then, or is going wrong, just point to some of the examples, 'cause, you know, your book has got lots of human stories in it. Just give us a, a sense of where this plays out and how this impacts upon real lives in a negative way.

Hettie O'Brien: I think one of the most visceral, uh, places where this happens, and I really did try and tell this story through, in a way that would mean that it wasn't just black and white, and that it also was engaging and exciting for people to read about rather than kind of remote and abstract. But one of the places where it really goes wrong is with care um, and there's lots of interesting academic research on the impact of private equity ownership on care homes. One study I came across in the US analysed, I think it was something like 100 private equity deals, takeovers of care homes, and found that after that takeover had happened, um, the mortality rate at those care homes increased by an average of 11%.

Similar story in the UK during the first wave of the COVID pandemic. At care homes with the highest amounts of leverage, which is another word for debt,

um, the death rate was almost twice, twice greater than it was at care homes with no leverage at all. So I think that's when you start to really see the human impact of these business decisions and how they're affecting people's lives.

Adrian Goldberg: We've seen it in the water industry as well, haven't we, where you've got some water companies privatized in the UK have taken on huge amounts of debt. Those water companies now are saying to the regulator, "We need to increase our bills to our customers," but some of the money that customers will pay will be, be paying debts that were acquired by previously debt-free water companies?

Hettie O'Brien: Yeah

Adrian Goldberg: but debt which have, which w- which have allowed the people in the private equity firms behind them to take out vast sums of money in management fees and interest payments?

Hettie O'Brien: Well, the purpose of that debt was very often to enrich those investors, rather than to invest in the thing that it's supposed to fund, which is improvements to the service they're providing.

So we're basically paying twice for, once for the, once for the debt, and another time now for the, for the actual improvements that were supposed to happen already. But also, when you look at the amount that you're paying out of your... This, this stuff can sound abstract, it can sound remote, but actually when you look at what that means for your monthly paycheck, your water bill, it now involves, if you live in England and Wales, something like 28% of that bill goes on paying off debts, dividends, and other forms of financial extraction.

And those things haven't actually led to a better service. So I think that's something that really rightly outrages people.

Adrian Goldberg: Naomi, what struck you reading the book? What did you draw from it? 'Cause I gotta say, it's, uh, it's a very tightly told story. And those stories around care homes, around water, which to some extent we're familiar with, I suppose, in the UK, did really strike home. And you, you're hard-pressed to think of a way in which private equity could ever be seen as a good thing. I, I- certainly in the way that it's used in these leveraged buyouts?

Naomi Fowler: Yeah, yeah definitely. I thought it was a brilliant book. Very accessible, very readable. , It just throws up so many issues, and it does seem abstract, but actually I think we're just not aware of how much it's affecting our

lives on a daily basis, it really, really is. And that really comes across in the book. But I mean, it makes you think about, you know, the word investment, what that really means, um, because it means very different things uh, to different people. And you know, and who's investing what, and how useful is that. Um, and the way that we look at it at the Tax Justice Network, private equity is right at the center of, uh, what we refer to as the finance curse, , or too much finance, where, you know, you've got a, a finance sector that is too big, and that is, uh, actually a drag on the economy. Um, we're seeing our economies are just flat-lining. Uh, it's really fueling inequality to unprecedented levels now, I think. , M- maybe Alex can, , give us an idea really of that type of context , in terms of private equity, and how important that is to what's going wrong with our economies.

Alex Cobham: Thanks. I mean, actually, I really, you know, Hettie, congratulations on the book. I really, I really enjoyed it, and I think you, you tell the story very well. One thing that struck me is, you know, you start with this story of leveraged buyouts and how, you know, people like Simon targeted, not the public sector, but, you know, big private sector companies that they felt were inefficient, you know, chauffeur-driven cars for the, for the chief execs and so on and they kind of...they started stripping out, paying people a bit less 'cause you could. And you think, you know, there, there's an efficiency argument there. You can see this maybe making the economy work better. But then this, this transition to actually working out where is it in the economy that you've got guaranteed streams of income?

Well, it's mainly the public sector, and it's absolutely fundamental necessities. It's water because we'll never stop needing water. We'll never stop needing care and so on. And when you look there, well, what are the efficiencies? Actually, the efficiencies aren't really necessarily about paying a bit, pe- people a bit less, although we're gonna do that too. They're about challenging the assumptions. So there's an assumption that we, we will provide the water at as high a quality as we can without, um, interruptions. Actually, though, we can challenge that assumption because we're not going to face a financial penalty if we don't do those things, and in fact, we can make more money by providing dirty water, by allowing interruptions, by having death rates in care homes that are higher because there is no financial penalty for it.

And so efficiency in, in the private, uh, equity model comes into the public sector, comes into things that affect our lives with this guaranteed income stream, but also a guarantee that we're going to perform worse on the things where there is no financial penalty. And it turns out that actually a great many of the things that we care about, that people's quality of life depends on, are

subject to these efficiencies, right? And so what we lose are all the things that we care about because there's no immediate financial penalty.

And so, you know, thinking about this, this idea of too much finance, there's a long, uh, economic literature now about once you have private credit that's too big a share of GDP, instead of it being helpful, instead of it, you know, funding businesses that are gonna do productive things and so on, you actually end up funding consumption to levels that are damaging to the economy and so when finance gets too big, uh, GDP growth, uh, gets slower, um, and inequality gets worse. This isn't just limited to private credit. When we look at the financialisation of the whole economy, and that's, you know, really the story that Hettie tells here, the bigger things like private equity get in the economy, the less productive the economy becomes, because everything's extracted.

Adrian Goldberg: I think that's a, that's a really, really important point, Alex, and I'll, I'll come to and, uh, you know, you've got some ideas about how we kind of control that and how, to use the phrase from the top of the, the podcast, how we tame the beast.

But Hettie, uh, just one thing struck me quite early on was this sense that in a sense you're not making an argument against capitalism. It- the- the... In a sense, what you're saying is that this isn't capitalism, because capitalism in its purest, rawest form involves risk, involves people who have capital, putting that capital forward and making an assessment that they can improve a company or they can build a company using that capital. If it works, they make more money. If it fails, they *lose* that money. But the trick here was to ensure that you couldn't lose, and that- that's... But, but somebody else has to pay for it, of course, you know, whether, whether that is the company itself and its employees, whether that is the taxpayer, if it's a public service. This is the point, isn't it? It's kind of posing as capitalism, but it isn't really capitalism as most people would understand that phrase. Or is it? You're looking at me doubtfully when I say that!

Hettie O'Brien: I, I think there's a lot of arguments as to what capitalism is or isn't actually. I suppose it looks different depending on where you are in the history of capitalism so, 20th century, you had the search for the new frontier for capitalism in the form of imperialism, heading overseas to find new areas of untapped value. 21st century, you had the invention of all these kind of, uh, exotic, uh, mortgage-backed securities and, and credit products. And late 21st century where we are now, or you know, the 2020s, you have private equity, and as someone put it to me recently, it looks like a kind of cannibalistic frontier, where instead of heading overseas or creating these kind of temporal

products to do with credit, it's actually looking at the services that we rely upon in an everyday sense. And the irony there, the great irony that looms over the book really, is that you have this thing that was invented ostensibly to make capitalism work better, or at least rouse Western economies from their economic slumber, and actually it's ended up undermining the institutions that capitalism really depends upon to reproduce itself.

Adrian Goldberg: Yeah. No, uh, and I think you make the point quite early on as well that i- instead of funding, let's say in a UK context, you know, the, the UK equivalent of Silicon Valley, there's all this money sloshing around in the economy, but it's not actually creating new things which will power the economy forward into the future. It's simply recycling the money and diverting whatever extra money is made back to the people who made it so they can do it again. But it, it's not actually triggering growth-

Hettie O'Brien: Mm

Adrian Goldberg: which is what we're told is-

Hettie O'Brien: Yeah,

Adrian Goldberg: what ... what we need ...

Hettie O'Brien: and that is helps to explain the British, um, minister's love affair with private equity is based on the idea that it's supposed to be this kind of form of venture capital, which is the type of thing, the shiny impressive thing they have in the United States that creates iPhones and electric cars. And actually, that's part of the reason Britain ushered in this industry and provided it with the tax breaks that it enjoys today. But when you look at what it is, it's actually, in Britain at least, very much a way of snapping up companies on the cheap and loading them with debts, or just doing distressed buyouts of, um, WHSmith, Claire's Accessories, and so on. So while we get TG Jones, the States gets Silicon Valley, and I think there's a kind of interesting juxtaposition there and I think that British Prime, Prime Ministers, or at least governments, have continually made that mistake of assuming that this is going to be the, the leading form of, quote unquote, investment.

Adrian Goldberg: But America has- Yeah ... America... Sorry, Naomi, America has, uh, private equity. I mean, that's where it started, this kind of private equity, but they've also had Silicon Valley as well. Why, why haven't we, in the UK, been able to have both?

Hettie O'Brien: I mean, I think there's a lot of answers to that. And to be clear, venture capital is not without its own critics and problems. Um, but if you look at the history of that in the US, it's closely tied to forms of public and state investment in things like military technology and so on. I think the risk that we, the, the... And I keep saying we, what I mean is governments, I think the risk that governments, um, take in the UK is the assumption that the private I-investment will just come of its own accord. What you often need first is the *public* investment, because that then plays a role of attracting that private investment. That really is the history of Silicon Valley in the US, but it doesn't look like one that we're going to be repeating anytime soon in Britain.

Adrian Goldberg: Sorry, Naomi, I interrupted.

Naomi Fowler: Yeah, I think it does come back to that word investment and what that actually means. Who's investing and what, what kind of useful things are they investing in? And we can actually properly tax and regulate this stuff. It is really important to understand that there are ways to tackle that. Uh, we're always saying at the Tax Justice Network that tax is our social superpower um, you know, and a lot of people focus with tax on just the revenue-raising aspect, but it's about a lot more than that because you can use tax to disincentivise certain activities that are not beneficial to the economy and they're not beneficial to people. Um, I don't know if we've got time for Alex to talk a little bit about that, but I think it's useful.

Adrian Goldberg: Go on, Alex.

Alex Cobham: Yeah I mean, I think there's a couple of things in there. You know, one is the way that, you know, Adrian, as, as you've said repeatedly, you know, this thing of the separation of who is bearing the risk and who is getting the return, and that's the sort of the original, uh, problem in private equity. By allowing the, the kind of the previous quid pro quo to be broken, we end up with people who just extract an income stream and don't bear any of the risk, and that's kind of the first thing that you'd need to tackle to fix this.

But then the second one, um, you know, and again, Hettie goes through this very, very well, is the way that governments have decided that they actually need to sort of, to give in to the lobbying of what became this very powerful, uh, industry and give them an even better deal. So on one hand, they've got this separation of risk, and they're extracting, uh, income without taking the risks. And then on the other hand, they've managed to get this really sweet deal where basically their income is treated as a type of capital gain that's taxed at a very, very low level, um, if at all, because you then structure it in all sorts of careful

ways to, to add, add, uh, more obstacles to taxation. So you've got a model that is bad and extractive and pushing the risk onto the rest of the economy, which is effectively now being subsidised because governments treat it so favourably.

So there's two ways into kind of challenging that. One is to say, firstly, we have to break the model. We have to fix the risk problem, and this is what, um, Elizabeth Warren's proposal really does very well. It says, in effect, you wouldn't be allowed to take on a business and load it up with debt that didn't tie back to you, that you weren't ultimately responsible for. We have to put that link back if we don't want this, this cannibalisation of the economy to continue. And for as long as governments think private equity is still the next great thing, they're not gonna do that. So this book is really important, I think, to shift perspectives and the narrative on that and move us towards at least considering that kind of policy option.

Well- And then the second piece is-

Adrian Goldberg: Sorry, I'm, I'm just...I don't know whether this is one for you, Naomi, I'll come back to you, Alex. But I, I mean, wh- why, why are politicians then so blind to this? Because some of the problems evident that Hetty outlined so well have been evident for a number of years. Hetty has the example of the pub trade and the pubcos that were created, and anybody who's looked into that will know that The creation of pubcos was not in the interests of pub-goers, not in the interests of the people who took over licenses of the pubcos, but it was very handy for the pubcos themselves. You know, the, the, these problems have been evidence of what... I- is there just kind of an ideological fixation with-

Naomi Fowler: I, I think it's simpler than that, personally. I, I think you have to look at, uh, party political financing, disproportionate influence that very over-powerful actors have in our economy and over politicians. You've gotta look at things like the revolving door, where politicians go out of public, supposed public service straight into, uh, you know, uh, the boards and, uh, you know, and they have a lot of other interests going on even while they're supposed to be working for the public in the public interest. So I don't even know that it's about ideology often it, it's actually, you know, follow the money. I think that's really where you have to look. Um, and you have to really get money out of politics, I think.

Adrian Goldberg: Yeah. Go on, uh, Alex, sorry, I interrupted you, I was keen to hear that.

Alex Cobham: Oh, no, just, uh, you know, the second piece would be on, on tax. You know, the, the other thing that we're doing, as I say, is really subsidising this, this extractive model very heavily by giving it such favorable tax treatment. We have to reverse that. We have to at least require that all of the gains through private equity are taxed at the same level as, as anybody else's income would be.

Because otherwise, we're always incentivising, we're always making it more efficient, if you like, for this to be the model that dominates our economy. And why would we do that when we can see, you know, when Hettie has shown the, the damage that it does? Basic stuff, but it requires the political commitment to say, "We are going to challenge what is now probably the most powerful financing model in our economy." And how you get there is, you know, is a, is a serious challenge.

Adrian Goldberg: Mm. Go on, Hettie. Round it up for us then. What do we need to do? And it, it is doable, isn't it? There is... With political will, this is very changeable, I mean, this is a way of being- Yeah ... that, that's come into the world in my lifetime so if it can come into being, it can be put out of being as well, can't it?

Hettie O'Brien: Yeah. And I think that, look, I really wanted to change people's minds on this, and that's why I wrote the book, and I wanted to do it in a way that people would hopefully read and find fun at the, the same time but I think that if it was up to me, I think it would require that mindset shift. Alex's proposals are very mu- very spot on actually, but I think it's also about a mindset shift of realising that we have accepted this situation of public austerity and private leverage, and actually we end up paying for it.

It's not a cheap way of doing investment. It's not a cheap way of organising our lives. It's not a more effective way. Actually, it can be very much more expensive, and it also has all of these, um, terrible implications when it comes to public services so I think calling that out is, is the best place to start, and then hopefully people who are working on policy, um, will take inspiration from this and will think, "Okay, what *can* we do?" These tax proposals sound, sound very persuasive to me so I think more, more of that sort of thing would be great.

Adrian Goldberg: It's been a really interesting conversation. Thank you for your time. That's Hettie O'Brien. Hettie's book, *The Asset Class: How Private Equity Turned Capital- Capitalism Against Itself*, is out now.

Thanks also to Naomi Fowler from the Taxcast, and to Alex Cobham from the Tax Justice Network. I'm Adrian Goldberg, and this has been a mixture of the Taxcast and the Byline Times podcast. Thanks for listening. Cheers now. Bye-bye