

Correcting Economic Correctness

Joe Collins, *Rent*, Polity Books, isbn 13: 978-5095-3906-2, 116pp., \$30.95.

Every workplace, environmental and community activist, every student of economics and every hope-filled home-buyer needs this book.

After more than thirty years of neglect of the History of Economic Thought (HET), amounting to censorship by the economics profession, Joe Collins confirms why the present is history. Subversive by definition, HET disappeared from the curriculum because if prevailing diktats are 'the work of history,' they cannot be the eternal and universal truths of nature, perhaps not even god-given.

A somewhat similar fate befell economic history. Since capitalism, like Melchizedek, always was and always will be, why waste the time of undergraduates alleging that capitalism rode to dominance on the backs of chattel-slaves, the expropriation of smallholders and the devastation of cottage processors while plundering the wealth of nature at every turn? The time saved can be devoted to calculating the price of a cup of tea – as Joan Robinson depicts the 'luminous summit' of marginal futility.

When historical materialists put in the hard yards of primary research to show 'how it – *really* - really was,' the connoisseurs of corporate cant protest our 'revisionism' on topics which had never been investigated thoroughly and, hence, can be revised only in the sense that conventional ignorance is being consigned into the rubbish bin of bourgeois historiography.

Collins will have none of their nonsense. In his early chapters, he displays his perspicacity by tracing what the founders of Political Economy had to say about ground-rent. The Physiocrats, Smith, Ricardo, Marx and Engels are covered in a manner as concise as it is comprehensive, as precise as it is penetrating.

Collins explores the consequences from the neo-Classicals' notion of an 'economic rent' beyond ground-rent, thereby helping them to account for the way scarcity affected the price of all forms of property used in production and not just land.

Economic rent is the amount paid for a factor of production over and above what is necessary to keep that factor in its current use. (37)

This approach should be extended to distribution since the unearned incomes from exploiting wage-slaves in every sector will be dispersed among the personifications of capital with ground-rent going to landlords, profit of enterprise to capitalists, and interest payments to financiers. (See Marx's chapter 48, 'The Trinity Formula,' in volume III.)

After dealing with the 'marginalist' schools and their submerging of the peculiarities of rent within a paradigm of price, Collins turns to the 'general equilibrium' methods and nostrums that have trailed behind a 1954 article by K.J. Arrow and G. Debreu (recipients of *faux* Nobel Prizes in *soi-disant* Economic Science). He unstitches their mistreatment of rent, before dissecting the misuse of the term 'rent-seeking' brought into mainland economics and policy-making by G. Tulloch and A. Kruger. That full-house of knaves deserves the whacks that Collins delivers in full measure.

Were we to swallow their line, we would conclude that the burdens imposed on peasants prove not to be 'rent' after all. Rather, 'rent' resides in any help they obtain from governments by way of subsidies, or assistance in distributing their crops. Such selfishness is to be deplored as 'rent-seeking.' Landlords and money-lenders - along with Archer-Daniels-Midland and Monsanto - skip away scot-free. (James B. Lieber, *Rats in the Grain. The Dirty Tricks of the 'Supermarket to the World,'* 1999).

Scarcity rules

Collins again scores as he delves into rent-taking from the scarcity of any resource or service, deploying this characteristic to survey how it is exercised throughout our economy. Price-gouging is so recurrent around petrol prices that 2022 has been remarkable only by exceeding \$A2 a litre. The scandal of Covid-test kits is chicken feed compared with what Big Pharma get up to with patents and licenses for drugs and vaccines developed on cartloads of government subsidies. Murdoch, Disney and their ilk bought enough of the U.S. Congress to extend copyright out to 70-years, which is why you are paying to download old movies and music. U.S. corporates rely on their warfare-state to enforce their rules-based order on the rest of us, while dragging Australian regulators before the WTO over the plain-packaging of cigarettes. (Clinton Fernandes, *What Uncle Sam Wants U.S. Foreign Policy Objectives in Australia and Beyond,* 2019).

All manner of rent-taking has come to the fore over the last fifty years, its impacts felt far beyond AirB'n'B. As Engels points out, changes in the actualities of how exactly capital expands call for new concepts, which, in turn, require a fresh vocabulary. One danger is that semantics will divert analysis from exploitation by detaching its latest forms of appearance from that long-term inner dynamic. Being willing to penetrate surfaces to discern tendential laws is, as Marx and Engels emphasise, the hallmark of scientific honesty.

Michael Pareti ridicules 'ABC' progressives whose *modus operandi* is 'Anything But Class/ or Capitalism.' (*Black Shirts and the Red*, 1997) Some ABC scholars are shy of the 'C-words' for fear of blighting their career prospects. More seem reluctant to put in the effort required to think through to the workings of the kind of capital that has to expand to be itself.

Instead of setting out from a class analysis of capitalism, they fall into Idealism. 'It's all 'ideological,' they bleat, deploring the '-isms' as bad ideas inside the heads of nasty men and women. In fact, Keynesianism, Monetarism, Globalisation, Neo-Liberalism, Financialisation and Rentierism serve the needs of the conflicting fractions of capital. The 'isms' represent how the agents of global capital are managing their competing interests within the later phases of the third stage of capitalism, Bukharin's and Lenin's *Imperialism*.

Because ABC-ites won't critically analyse capitalism can't tell colonialism from 'imperialism' as monopolising capitals. Instead, they warble and thus gabble on about the Post-Colonial without so much as muttering a word about the Neo-colonial, which Nasser and Sukarno identified as constitutional independence with on-going economic subjection. No socialism without independence: no independence without socialism. (Murray Noonan, *Marxist Theories of Imperialism A History*, 2017.)

The literature dealing with the plethora of -isms is Janus-faced. On the one hand, victims of 'NOW-ism' know that history began with them, so that nothing like the recent '-isms' could ever have existed before. Others treat all '-isms' as little more than modulations on social practices which have existed alongside capitalism for ever and a day.

There is a sliver of truth in both extremes. From the 1400s, the term 'rentiers' circulated for those who lived off dues, taxes or tithes imposed on the direct producers of foods and fibres. (Richard Ehrenberg, *Capital & Finance*, 1928.) Ricardo despised landlords as parasitical rentiers in contrast to

his good friend Parson Malthus who sanctified his pew-owning parishioners, whom Marx calls 'glutinous drones,' because they consumed but did not spin and so could not be a cause of a general glut.

A medley of rentiers flourishes into the present, from village money-lenders, to Trump's rack-renting and Blackrock's algorism, that invisible hand behind all manner of robotised share trades. One task is to unlock how each type emerged, how each now operates, and how they intersect to presage further change.

Since new things do happen, is it not time to ask whether these -isms are heading into a fourth stage of capitalism, one where labour-times at last will be universal? If so, the earth will indeed be flat, with a single 'orbit of sales,' making Globalisation more than a grab-bag of WOMAdelaide and Wikipedia, Pandemics and Apple's sourcing its phones from a Taiwanese firm producing on the mainland - along with Old Uncle Tom Cobley.

By integrating economic theory and practical politics into the origins and operation of rent in its several forms, Collins blasts clear thinking through synapse-clogging clichés. His analysis illumines two areas of concern – housing and mining.

Housing

Moralisers delight in denouncing home-owners as petty capitalists – oft-times abbreviated to POMs, Property-Owning Marxists. Home ownership cannot make you any kind of capitalist. One's dwelling is a possession. It is not a means of production to use in extracting surplus-value from wage-slaves.

Should you rent out a room, or perhaps your whole house, you are still not engaged in direct exploitation. Rather, you are taking a slice from the wages paid to your tenants to meet the socially necessary costs of reproducing their labour-power. (See Frederick Engels, *The Housing Question*. Claude Meillassoux confirms Engels's analysis from Third-World wage-slaves, whether in French dormitories or living at home in Thailand. *Maidens, Meal and Money, Capitalism and the Domestic Community*, 1981.)

The past decade, however, has seen more Australian householders' taking out mortgages on dwellings for which they receive rent. These investors were excited by almost zero interest-rates, encouraged by government policies on negative gearing, and enabled by a forty-year retreat from the provision of public housing. To focus on individuals who have bet their retirement on commercial housing rather than the stock-market is to

mistake the palace for a lean-to. Methodological individualism blinds critics to the big issue of how corporates set the rules for 'mums and dads.'

Since more wage-slaves are likely to keep paying 'rent' to keep a roof over our heads, we need to unravel this twist on the monopolising of properties. A colleague of Collins at the University of Sydney, Cameron Murray, documents how developers knock up apartment blocks, sell enough to cover construction costs and interest, then sit on the rest until they can gouge monopoly profits out of rising prices, of which their shenanigans are one driver.

The real-estate lobby covers its tracks by blaming local and State governments for not releasing more land, while the racketeers squat on hundreds of hectares waiting for housing prices to rise enough to make it worth their while to run up more shoddy blocks of units, sell off a debt-clearing fraction, and then hang out for the market-price of the unsold ones to snake upwards. (see Murray's @fresheconomicthinking.com)

Murray's investigations of recent rent-grabbing need to be tied into how Australia went from the Menzies-era promotion of a property-owning democracy to debt-laden households mimicking ATMs.

Whitlam grounded electoral successes from 1969 to 1974 on programs to make suburbia affordable and livable. (Hugh Stretton's 1974 Boyer Lectures, *Housing and Government*.) Tom Uren's Department of Urban and Regional Development is a distant memory, if that, even among the outer suburban mayors organising to grapple with those problems, now magnified tenfold. (C.J. Lloyd and Patrick Troy, *Innovation and reaction: the life and death of the Department of Urban and Regional Development*, 1981).

Labor's Land Commission never stood a snowball's chance at Surfers since it needed the co-operation of the State governments. Victoria's Hamer administration was a running sore of property scandals. (Leonie Sandercock, *The Land Racket*, 1979). Only South Australia set up a Land Commission and made a start towards establishing another satellite city, sixty-three kilometers east of Adelaide, at Monarto, dubbed 'Dunstangrad.' Today, it is home to the largest Safari Park outside Africa. (Patrick Troy, *A Fair Price, The Land Commission 1972-77*, 1978).

Mining

Diggers at Eureka withheld their licence fees because the squatters in control of Victoria's Legislative Council felt disinclined to tax themselves. What's changed?

Alex Mitchell's *A coup in Canberra* (2021) reminds us that Esso-BHP was high among the forces ranged against John Gorton as prime minister in 1969-70 once he proposed pushing up the government's take from the Bass Strait oil-and-gas fields.

T.M. Fitzgerald's 1974 *Report on The Contribution of the Mining Industry to Australian Welfare* showed that, in the six years to 1972-3, tax-payers had handed the mining corporations \$55m. to carry away our non-renewable resources. Confirmation came when the Queensland government levied four times as much royalties.

As a Trade Practices Commissioner from early 1975 to 30 June 1977, my friend and colleague George Venturini exposed transfer pricing by Rio-Tinto and the revival of a Zinc cartel. Under Mal Fraser, George refused to toe the line. He remained on the Commission for a while without being given a case. He took his files home to write *Malpractice* (1980).

Transfer pricing has been financialised to the swizz of borrowing from a subsidiary charging higher than market rates. Old curs need new tricks. On top of that tax-dodge, corporates declare profits in jurisdictions with the lowest corporate tax-rate and the lossey-goosiest requirements for reporting corporate accounts. Time-honoured devices do serve.

Collins did his doctoral thesis on the Resources Rent Tax, detailing the fight-back of mining corporations. As their hired-gun, the erstwhile Minister for Foreign Affairs and Trade, Julie Bishop, denounced the tax as Marxist. Typically for a Corporate Liberal, she is ignorant of calls from genuine liberals - Ricardo, James and John Stuart Mill - for a tax on unearned incomes from landlords. The likes of \$2.00-a-day Gina were to be treated as parasites on the value-adding activities of their tenants, whether in agriculture, mining or processing. J.S. Mill handed the torch over to Alfred Russell Wallace who set up the Land Nationalisation Society in 1881.

From where do rents come? In one way or another, they all derive from the value added by labour to the wealth of nature. That chain of exploitation is easy enough to track in the case of a peasant in Uttar-Pradesh paying rent to a local landlord-cum-money-lender. Yet it is also true for a fly-in/fly-out mine-worker at Mt Newman paying \$1,000 a week off a mortgage in Perth.

The object of our inquiry has to be social capital, and not particular capitals, although we must never take our eyes off how exactly each corporate manoeuvres if we are combat their combined ill-effects. The above-average profits pouring into BHP-Billeteon, Rio Tinto and Fortesque Metals Resources today from sales of Pilbara iron-ore are possible because of the high prices paid by Chinese steel-makers which, in turn, are possible because they exploit their workers. The exploitation of labour extends beyond the point of extraction because that surplus-value is of no value unless realised as profit.

Hence, Forrest can afford to make a big fellow of himself opposing 'modern slavery.' That PR stunt is tax-deductible philanthropy funded by wage-slaves here and in China. The Chinese ones endure working conditions that campaigners against Modern Slavery would otherwise condemn as 'modern slavery.' 'Modern-slaves are suffering in ways which were standard until wages-slaves got organised to push back in the nineteenth-century.

Rentierism

Capital-R Rentierism, we are told, will have triumphed should that fraction reach 40 per cent of unearned incomes from wage-slaves in every sector.

When did they not?

Another dimension of the rentier capitalism discourse observes that rents are less an aberration of market ideals and more the logical conclusion of what a 'pure and perfect' market for capital would look like. Rent, according to this view,... will be a feature of any society where capital is privately owned. (87)

Collins concludes that even his 'very brief and selective survey of the rentier capitalism scholarship' lets us see tensions in the diagnosis of the problems and their solutions:

Is rentier capitalism an aberration, or corruption, of an ideal, profit-driven and competitive capitalism, or the consequence of it? (89)

Collins takes care when presenting positions with which he does not agree, helping us to see why 'each approach has limitations.' Sketching these limitations, he says, 'has been the goal of the discussion thus far.' (90)

Financialisation

Financialisation is one more consequence of the over-production of capital. Like all capital, that excess comes from the accumulation of value out of past labour.

So, what's so new in capital-F Financialisation? Yes, it differs from the *FinanzKapital* of Rudolf Hilferding (1910), from Bukharin's *The Economic Theory of the Leisure Class* (1919), and from Lenin's 'coupon-clippers,' but perhaps not quite as much as today's votaries of buzz-words suppose on their shaky understanding of how capital expands and what money is. By limiting money to a means of payment, Modern Monetary Theorists, for instance, remain at the level of *John and Betty Go to the Mint*. (Stephanie Kelton, *The Deficit Myth*, 2020). It may surprise them to learn that not all money is capital and not all capital is money.

Money can be a means of circulation, of exchange and/or of payment, but to be so it has to be the universal equivalent of value, that is, of socially necessary labour time, a condition it fulfills only as world-money. (Marx, *Capital*, I, 162-3, 210-20 and 238-41; Suzanne de Brunhoff, *Marx and Money*, 1976).

The money form of capital is the alpha and omega in every cycle of its reproduction. Moreover, the money-circuit carries forward the production and commodity circuits through 'the credit system ... itself a form of industrial capital ...' (Marx, *Theories of Surplus-Value*, Part III, 469) Hence, the circuit of money-capital is the point at which crises from the over-production of commodities erupt, allowing academe to get away with waffle about a *Global Financial Crisis*.

A mongrel breed of financiers and rentiers flourished around the Wolf Street Crash of October 1987. The botched chicaneries around RLR Nabisco in 1988 made leveraged management buy-outs notorious (Bryan Burroughs and John Helyar, *Barbarians at the Gate*, 1989).

Convinced that 'the market knows best,' the Hawke-Keating cabinet urged on corporate raiders. Robert Holmes a-Court was the patrician face of WA Inc., fist-in-glove with Bond and 'Last Resort' Lurie Connell, not to mention John Elliott at Carlton-United. Simon Holmes a-Court can fund Climate 200 thanks to the billion plus that his dad skimmed off the double-dealings to take-over BHP, then riding high on coal exports.

State apparatuses

Some unearned incomes are secured by the intervention of state apparatuses. A Franc standard blights West Africa today. The Euro is, in effect, a Deutschmark standard, as exposed in the European Central Bank's pillaging of Greece to underwrite the bankrupt Deutsche Bank. (Yannis Varonakis,

Adults in the Room, 2017). The IMF does much the same to the Third World through its Structural Adjustment Packages, backed by the World Bank as the lender of first extort.

Throughout the centuries, monarchs had unburdened themselves of debts by playing ducks and drakes with the value of the coinage. By last century, currency manipulation had gone global. Australia in 1931 devalued by twenty-five percent against Sterling. The Agreement that the U.S. of A imposed on its 'partners' in 1945 at Bretton Woods codified the shift from Sterling to the greenback. The rest of the world was supposed to get an ounce of gold for every thirty-two U.S. dollars worth of commodities. From 1965, the U.S. corporate-warfare state passed more of the costs of its ecocide against the peoples of Indo-China along to its 'allies.' The real value of the greenback slid. The Germans were the first to spit the dummy dollar. Nixon went through a number of reactions including a trade war with Japan from 1971, forcing it to revalue the Yen.

By June 1973, Standard Oil's David Rockefeller had set up the Trilateral Commission to keep democracy safe for big oil, and to bring Japan into the global fold. (Holly Sklar (ed.), *Trilateralism*, 1980.)

Four months later, the Arab states imposed an oil embargo on the U.S. during the Yom Kippur War. Nixon and Kissinger contemplated invading Saudi Arabia, as Collins reports from British Intelligence files. (96) OPEC insisted on getting more real gold for its black gold and pushed up its price of crude. (Daniel Yerkin, *The Prize, The Epic Quest for oil, money and power*, 1991; F. William Engdahl, *A Century of War Anglo-American Oil Politics and the New World Order*, 1993).

Swindles

Some personifications of capital chase unearned incomes by shuffling money in Ponzi schemes of chasing the Greater Fool, as with crypto-assets, as in BitCoin. Yet no one can expand social capital without extracting value from the labour of wage-slaves to accumulate even more money-capital for the next bout of expansion.

'The capitalist class of a given country, taken as a whole, cannot defraud itself.' (*Capital*, I, 266.) Nonetheless, swindling is an everyday practice between particular capitals, a courtesy they extend to their retail customers, their workforces, and to tax collectors. Throughout *Capital*, Marx reports swindles as frequently as he reaffirms his great discovery that exploitation is inevitable under the rule of capital. On average, the personifications of capital

and their agents make equal exchanges of wages for the timed units of labour-power that they purchase from us. Surplus-value is, therefore, no swindle. Rather, exploitation is the outcome of fair and equal exchanges under unequal social relations, whether maintained by an overt class dictatorship as in mainland China, or covert ones such as in Australia and Sweden.

Capitalists, nonetheless, do also take 'rent' from their wage-slaves by swindles. Old favourites are to pay in goods (truck) instead of coin, or by forcing wage-slaves to buy our goods from a company store at inflated prices.

You get another day older and deeper in debt.

St Peter don't you call me, 'cause I can't go,

I owe my soul to the company store.

These methods include the provision of company housing in excess of market rates. In such ways do the agents of capital claw back some of the full value of our wages.

Why can the personifications of capital never be satisfied with exploitation on the basis of equal exchange? More than greed impels their hunt for an extra layer of unearned income. In this case, 'rent' is not just an outcome of monopoly power but is driven by the force of competition between oligopolies. To keep up with the average rate of profit, each particular capital must strive to extract a second tranche of 'unearned income.'

Strange to say, swindling is one theme ignored by the scrums of scholars otherwise eager to carve out reputations for themselves on the back of Marx's genius.

Reforms - Deforms

During the 1880s, Henry George promoted a Single-Tax on the unimproved value of land. These days, the eponymous League is a fount of information about land-sharks. George's anti-socialist panacea dominated Labor Party thinking here beyond the First Great Slaughter. Many a doubly-freed labourer had hoped to escape wage-slavery into self-employment as a primary producer. At the time, co-ops softened the blows of nature. The family farm today has more chance of survival against a cyclone than against the clout of agri-business, whether as a rival producer, or as the enforcer of farm inputs from seed to overdrafts, from pesticides to fertilisers. (Geoffrey Lawrence, *Capitalism and the Countryside, The Rural Crisis in Australia*, 1987; Jeremy Rifkin, *The Bio-Tech Century*, 1998.)

As un settlers spread across this continent, everything under the ground fell to the Crown. A socialist republic will offer means to find ways forward to share the wealth beneath the top soil. There can be no ready-made solutions, let alone one-size to fit all.

In the meantime, we have to take a care not to get carried away by good causes, no matter how inspiring. The 'Lock-the-Gates' campaign against frackers cannot justify transferring artesian-water rights to free-holders. Instead, we have to work out how to protect farmers without handing them a tradable asset in perpetuity. For over three decades, the Murray-Darling has suffered from derivatives in water-allocations traded between people who have never turned a tap. (Christopher Sheil, *Water's Fall Running the risks with economic rationalism*, 2004, and Scott Hamilton's *Sold down the river: how Robber Barons and Wolf Street Traders Cornered Australia's Water Market*, 2021).

Similarly, the struggle for indigenous land rights calls for communal titles, which will deliver some of the mining royalties to claimants. Their country is not an estate to be sub-divided and sold off to the Obied gang, as happened at Hawks Nest on the NSW Central Coast. Warren Mundine wants to inflict that bourgeois notion of equality across the continent.

Where next?

This response to *Rent* includes more Australian examples than would have been appropriate for Collins to give in a short work for a series aimed at an international readership of tertiary students. Moreover, my manner of expression has been more robust, not to say Bolshie. Both content and style aim to encourage activists to make an in-depth analysis of what Collins provides with so much deliberation and care. Reading groups around *Rent* should ground that engagement on Marx's conceptualization of Absolute and Differential rents in Part VI of Volume III of *Capital* on 'Transformation of Surplus-Profit into Ground-Rent,' and throughout Part Two of the *Theories of Surplus-Value*.

Collins's apprehension of the History of Economic Thought is nuanced, enabling him to challenge misconceptions to the Left and the Right. His answers to 'Why is rent important today?' are telling. *Rent* is quite a treatise.

Bruce McFarlane, Christchurch, May 14, 2022.

Bruce McFarlane held chairs in Politics (Adelaide) and in Economics (Newcastle), and is the co-author with Peter Groenewegen of *The History of Australian Economic Thought* (1990), among a score of other titles. For his life on the Left see Humphrey McQueen, "Bruce McFarlane – noble protagonist of the proletariat and peasantry," *Journal of Contemporary Asia*, 51, no. 2 (2020), also available on www.surplusvalue.org.au/Bruce%McFarlane.html