Possession *vis-à-vis* Power: Rent Theory, Global Mining and Modern Landed Property in Australia 1861-2014

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Statement of Authentication

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text. I hereby declare that I have not submitted this material, either in full or in part, for a degree at this or any other institution.

[redacted]

Joseph Loreto Collins

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Abbreviations

ABS - Australian Bureau of Statistics

ANDEV - Australians for Northern Development and Economic Vision

BCA - Business Council of Australia

BHPB - Broken Hill Proprietary Billiton

GDP - Gross Domestic Product

IMF - International Monetary Fund

IPA - Institute of Public Affairs

MCA - Minerals Council of Australia

MRRT – Minerals Resource Rent Tax

NSW - New South Wales

OPEC - Organisation of Petroleum Exporting Countries

RSPT – Resource Super Profits Tax

TSV - Theories of Surplus Value

WWII - World War Two

Abstract

The purpose of this dissertation is to establish a historically specific theory of landed property in Australia that can serve as the foundation for a socially significant theory of mineral-rent. This task is necessary because the orthodox theory of rent is unable to explain effectively the formation and distribution of mineral-rents. This failure of the orthodoxy not only obscures clear understanding of the social significance of rent but also retards the rational organisation of the minerals industry. It is therefore imperative that the theory of rent is critically examined.

This critical reappraisal of economic theory will be conducted in relation to the operations and consequences of the global mining industry within Australia in the contemporary period. The aim of this analysis is to illuminate the dynamics of capital accumulation that underpinned debates around the ill-fated Australian 'mining tax'. It is argued that these parliamentary-political machinations were a *phenomenal* manifestation of an *essential* contradiction of the capitalist mode of production. As landed property conditions the formation and distribution of mineral-rents, the question becomes one of how to identify the character and function of modern landed property in relation to the dynamics of capital accumulation. This research contributes to debates within the fields of Marxist rent theory, the political economy of Australian capitalism and the theorisation of landed property. The methodology employed throughout the analysis can be characterised as a generative class analysis in the tradition of the materialist conception of history utilising dialectical reasoning.

The analysis is organised according to three distinct yet connected parts. The first part establishes the case for a new theory of mineral-rent by critiquing the prevailing orthodoxy in rent theory. The second part demonstrates the need for a theory of landed property as a necessary precondition for a new, socially significant, theory of mineral-rent. The third part elaborates a historically specific theory of landed property in Australia in relation to the dynamics of capital accumulation. The dissertation concludes by reiterating the core thesis, comprised of three interconnected claims: orthodox rent theory is incapable of explicating the social signification of rental payments for the use of mineral lands; a new theory of mineral-rent necessarily requires a theory of landed property in relation to the dynamics of capital accumulation; the modern form of landed property in Australia is denoted by the separation of ownership and control functions.

Introduction

The following dissertation elaborates a historically specific theory of landed property in Australia. It does so in order to rectify a fundamental flaw in the orthodox and prevailing theory of rent. The substance of this thesis is therefore a novel contribution to contemporary debates on rent theory and on the theory of landed property in capitalism.

These debates intersect numerous scholarly disciplines but the contribution of this current study can be firmly situated within the fields of political economy and Australian history. In particular, this study contributes to the dynamic traditions of historical materialism by addressing lacunae in Marxist theories of rent and landed property within the context of the Australian social formation.

The significance of this study can be demonstrated with reference to a contentious policy debate that dominated Australian politics between 2010 and 2014. At issue during this time were the desirability and efficacy of two taxes, the Resources Super Profits Tax and Mineral Resources Rent Tax. These initiatives were underwritten by the conviction that mineral-rents were an economically viable and socially responsible source of public revenue. Minerals were public goods and fair compensation for their extraction was expected. The real question was what constituted 'fair' compensation and, more importantly, why?

There was no consensus reached on this issue. These initiatives were implemented at the height of potentially the most lucrative export-oriented minerals boom in Australian history. Such were the interests of the stakeholders. The detail of these ructions warrant, and receive, further analysis below but suffice it to say for now that disagreement centred on how much, who would pay, who would be paid and from when.

The political and economic significance of these conflicts is still largely unclear. Not enough time has elapsed to lend insight to speculation over the causes and effects. What is clear though is that the episode itself needs to be understood. The investment phase of the minerals boom has ended and the protracted production stage is underway. Prices for coal and iron ore have decreased drastically meaning that the volume of minerals extracted will increase as mining firms compete to remain profitable. The antiquated 'royalty' system of compensation for the right to extract minerals remains in place even after the comprehensive review of the tax system that prompted these debates had judged the taxation regime for mineral resources to be ineffective considered on the basis of neutrality. The end result is that a finite public good will potentially be exhausted at an increased rate without reasonable compensation. The need for understanding this episode in recent Australian history is therefore imperative.

This complex and important task has attracted considerable scholarly attention. The elements of political influence, economic power and historical linkages make this episode fertile ground for social-scientific inquiry. Where contemporary scholarly debates intersect aspects of the political debates, scholars have been quick to make insightful and relevant connections.

Paul Cleary's two-part polemic on the mining boom and its effects is one notable contribution. It is also indicative of the prevailing approach to understanding the resources boom and the debates surrounding the mining tax. For these reasons it is worth examining the positions Cleary develops. *Too Much Luck* and *Mine Field* were published within twelve months of each other from 2011. The books are complementary volumes. The message is clear and can be glimpsed in two excerpts. Cleary states, in the preface to *Too Much Luck,* that 'unless we manage this extraordinary boom more effectively, our good fortune will *curse* future generations'.[1] The most effective way, Cleary contends, to mitigate the deleterious effects of the resource curse in Australia is through the creation of a sovereign wealth fund to stabilise the otherwise volatile cycles in commodity prices and demand conditions for minerals. In *Mine Field,* Cleary focuses on the social costs of the mining boom and seeks 'solutions to better manage the once-only development of our resources for the benefit of all parts of society and our economy, and for the benefit of future generations of Australians'.[2] The problem, therefore, is one of regulatory capture, which is why the solution is, what Cleary calls, a 'well-resourced federal "super regulator" to be run jointly with the states'.[3] Across the two volumes, Cleary builds a compelling case that states Australia is suffering from the resource curse, with all the attendant social problems, and should respond with a suite of legislative reforms to mitigate the undesirable effects of a resource-export driven economy.

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[1] P. Cleary, *Too Much Luck: The Mining Boom and Australia's Future,* Black Inc., Collingwood VIC, 2011, p. xi. Emphasis added.
[2] P. Cleary, *Mine Field: The Dark Side of Australia's Resources Rush,* Black Inc., Collingwood VIC, 2012, p. xii.
[3] *Ibid,* p. xi.

The evidence used to substantiate this position is extensive and the key claims themselves are articulated with clarity. The result is a seminal contribution to a growing discourse that aims to expose the inimical and pernicious exigencies of mineral-dependent economic development while offering up solutions pertaining to legislative reform. Joining Cleary in this critical scholarship is a host of other important recent contributors. Guy Pearse coined the phrase 'quarry vision' in his *Quarterly Essay* to describe the 'lunacy' of continuing to cultivate an export-oriented coal industry within the context of the existential crisis that is climate change.[4] Quarry vision, according to Pearse, 'blinds us to history and its biggest lesson: nations squander the proceeds of booms with monotonous regularity'.[5] Australia would have done well, argues Pearse, to note 'that an abundance of resources has come to be seen by many economists as a guarantee of macro-economic volatility, even as a curse rather than a blessing'.[6] James Goodman and David Worth took note of Australia's resource curse in an article published in the *Journal of Australian Political Economy* in 2008. This work questions the almost celebratory optimism surrounding the minerals boom and provides a sobering examination of three curses attached to the boom in accordance with three contradictions inherent to the capitalist mode of production more broadly: the capital-labour contradiction; the capital-capital contradiction; and the capital-nature contradiction.[7]

[4] G. Pearse, 'Quarry Vision: Coal, Climate Change and the End of the Resources Boom', *Quarterly Essay,* No. 33, 2009, pp. 94-95.
[5] *Ibid,* p. 16.
[6] *Ibid,* p. 16.
[7] J. Goodman and D. Worth, 'The Minerals Boom and Australia's "Resource Curse"', *Journal of Australian Political Economy,* No. 61, 2008, pp. 201-202.

These important investigations are united in their critical approach. Each takes issue with the negative effects of the mining boom and questions the efficacy of existing legislative structures in mitigating these outcomes. Their unity in approach is a key strength and simultaneously their key limitation. These contributions and the discourse on the mining boom more generally accept certain problematic assumptions and concepts. Taxation, for example, is agreed to be an area in need of reform but the question of what is to be taxed is not approached in any more than a superficial way. A rent tax is a good idea but rent itself is taken as received wisdom from Pearse's 'many economists'.[8] Similarly, the existence of a resource curse is uncritically accepted. The resource curse is the underlying theme to most of the literature written about the socioeconomic effects of the mining boom. While this line of inquiry is certainly useful in identifying the social problems inherent to resource-driven economic development it lends to descriptive accounts rather than analytical inquiry. The social dynamics that promote resource-dependent economic development and the social structures that compel or deny legislative action are obscured when the issues are framed in this way. The recommendations derived from these analyses need to be strengthened by a critical engagement with the orthodox conceptions that are at the very root of the problem. The extant scholarship explains *what* is wrong and speculates upon *how* to remedy the situation. This study addresses *why* these problems exist and seeks to construct more substantial analytical tools to inform the search for solutions to these quandaries.

[8] *Op. Cit.* Pearse, 'Quarry Vision: Coal, Climate Change and the End of the Resources Boom', 2009, p. 16.

Part I

The Case for a New Theory of Mineral-rent

Chapter 1

The Dialectic of Mineral-rent in Australia

The theory of rent prevailing in the contemporary period is flawed because it does not account for the social signification of rental payments for the use of land and its appurtenances. This failing can be addressed by constructing a historically contingent theory of landed property within the capitalist mode of production because mineral-rent in capitalism presupposes private ownership of mineral lands to the exclusion of all others. The modern form of landed property within the contemporary Australian social formation is characterised by a division of labour between the *owners* and *managers* of mineral lands - the state and indigenous landowners as owners and the neocomprador fraction of the bourgeoisie as managers. Just as capital, as a class, expropriates surplus value generally and is fractured along various lines, modern landed property, as a fraction of capital, expropriates surplus value specifically in the form of rent and is fractured along one important line.

The theory of mineral-rent is concerned specifically with rental payments for access to mineral lands. This implies that there is a logical necessity for a corresponding theory of property in land because it is assumed that a payment for access to mineral lands means that the ownership of mineral lands is monopolised by certain persons to the exclusion of all others. A theory of mineral-rent, why it exists, how it is determined and how it comes to be distributed therefore presupposes a theory of landed property within the capitalist mode of production. This dialectic defines the parameters of this dissertation. Each facet of the argument presented herein can be triangulated within this logical construct. The purpose of this chapter is to sketch broadly the contours and limitations of the investigation. The following chapters will elaborate the specific problems to be addressed in more detail and also link together each thematic section. The discussion between this paragraph and the concluding paragraph of this chapter will explain the movement from the dialectic detailed above to the specific hypothesis articulated throughout the remainder of this dissertation.

The various scholarly problems addressed in this dissertation stem from one concrete question: why, between 2010 and 2014, was the Australian Federal government unable to effectively implement a rent-targeting tax on the resources sector in the midst of potentially the most lucrative mining boom in Australian history? From this concrete question stem various avenues of inquiry. Surveying briefly the divergent attempts to address the initial question best illuminates these avenues.

One type of response that gained popularity was to blame apparently inept politicians and bureaucrats for poorly implementing a poorly designed tax. An example that typified this approach came from the free-market think tank, the Institute of Public Affairs. The IPA argued that the 'failure of the RSPT can be attributed to extraordinary arrogance'.[1] Davidson explains that the 'tax was a creature of bureaucracy - it was first imagined by academics and bureaucrats,

[1] S. Davidson, 'The Mining Tax Debacle', *Institute of Public Affairs Review,* Vol. 63, No. 3, September 2011, p. 21.

and then proposed by bureaucrats, designed by those same bureaucrats, and ultimately introduced by politicians who didn't understand the tax design or the industry they proposed taxing'.[2]

Another tack was to emphasise the political power of resources companies and their supporters. Marsh, Lewis and Chesters considered the defeat of the mining tax as a 'case that illustrates the influence that powerful interests can have in contemporary politics' whereby the government 'failed to use the resources it had, particularly its legitimacy, to institute an effective mining tax'.[3] Verrender expressed similar sentiments in more emotive terms when he claimed that the 'stunning victory by the mining houses over the federal government was a victory of renters over owners, and a triumph of misinformation and emotion over logic'.[4]

Some posed the answer that the political antagonisms inherent to the Australian Federalist system were to blame. The conflicts between state and federal governments over the distribution of funding, particularly with regard to the equalisation of mining-based revenue across the Federation, were, therefore, at the root of this problem.[5] Such were these tensions that Geoff Gallop, the former Premier of WA, was moved to pose the question, does the 'stroppy state' really

[2] *Ibid.* p. 21.
[3] D. Marsh, C. Lewis & J. Chesters, 'The Australian Mining Tax and the Political Power of Business', *Australian Journal of Political Science,* Vol. 49, No. 4, 2014, pp. 723-724.
[4] I. Verrender, 'An Opportunity Missed on Mining Super Tax', *The Sydney Morning Herald,* 15 February 2011, viewed 25/5/14, http://www.smh.com.au/business/an-opportunity-missed-on-mining-super-tax-20110214-1atq1.html
[5] M. Stutchbury, 'Mining Blows Up Fair-go Federalism and Opens the Way for Genuine Tax Reform', *Weekend Australian,* Canberra, A.C.T., 2 April 2011, p. 11.

want to secede?[6] Others ventured the opinion that the problem was one of flawed financial and economic principles informing the public debate. Kraal's study indicated that the major multinational mining companies knowingly used dated accounting methods and principles to shirk their responsibilities as good corporate citizens in order to justify ideologically charged arguments against the tax.[7]

Each of these dominant themes has informed generally the debates surrounding the failed implementation of the RSPT and the subsequent MRRT. This study attempts to draw out more specific analytical problems for scholarly analysis within the disciplines of historical inquiry and political economy.

Each of these responses raises serious and important questions deserving of scholarly analysis. The role of business groups in determining government policy and the specific machinations that led to the eventual repeal of the mining tax need careful examination. These tasks have many worthy attendants and the passing of time will illuminate further the dark corners of the doomed mining tax. This study, however, seeks to undertake a task rather more limited in scope and ambition.

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[6] G. Gallop, 'Does the "Stroppy State" Really Want to Secede?', *Farm Weekly,* Victoria Park, 5 July 2011, accessed 12/3/12, http://www.farmweekly.com.au/news/agriculture/agribusiness/general-news/does-the- stroppy-state-really-want-to-secede/2216310.aspx?storypage=1

[7] D. Kraal, 'Australia's Resource Rent Tax: The Multinational Mining Industry Response', *The Australasian Journal of Natural Resources Law and Policy,* Vol. 15, No. 1, 2012, pp. 105-106.

This undertaking proceeds from the observation, raised throughout the protracted debates surrounding the mining tax, that the conception of 'rent' itself may be flawed.[8] This thesis will examine this aspect of the tax debate and claims that a new theory of mineral-rent must be constructed which is capable of explicating the social signification of the rental payment for the use of land and its appurtenances. This new theory of mineral-rent, by virtue of its emphasis on the role played by the system of ownership in land, presupposes a theory of landed property specific to the historical context of Australian capitalism. As a new theory of mineral-rent presupposes a theory of landed property, this thesis will propose a platform for the construction of the former by articulating a historically contingent examination of the latter.

A theory of rent specific to land in general, and to mining in particular, presupposes a theory of landed property within the capitalist mode of production. The current prevailing theory of mineral-rent is insufficient as it does not account for the social signification of rental payments for access to minerals. The orthodox conception of mineral-rent is based primarily on Ricardian propositions within the framework of Neoclassical general and partial equilibrium theory. Both traditions proceed from the erroneous assumption that landed property exists purely as a juridical construct within capitalism. That is, landownership is simply a claim to rent as it is distributed passively,

[8] Notable examples of this argument can be found in,
J.S. Dickson, 'WIOML 2015: Economic Rent Theory "Fundamentally Unsuitable" for Mining', *Industrial Minerals,* London, 28 May 2015, accessed 25/6/15, http://search.proquest.com/docview/1691545174?accountid=36155
M. Bulearca, C. Popescu, M. Muscalu and C. Ghiga, 'Resources Management and Rent Theory in Mining Industry', *Communications of the IBIMA,* Vol. 2012, July 2012, p. 2.

rather than the system of landownership being an active determinant of the structures and patterns of capital accumulation. This inadequacy of orthodox rent theory is part of the reason for the legislative failures to introduce rent-targeting taxes within the extractive resources industry. Attempts to capture the rents generated by the extraction of finite mineral resources have failed in both the significant mining booms since the end of WWII. This thesis will contribute to addressing this challenge by first providing a critical re-appraisal of mineral-rent theory before extending critically Karl Marx's theory of ground-rent. The ultimate aim of this dissertation is to provide a theory of landed property within the context of the Australian social formation in order to provide a starting point for the theorisation of mineral-rent which is capable of accounting for the social signification of rental payments.

The central thesis consists of three interconnected arguments: the current orthodox theory of mineral-rent is flawed as it does not entail a theory of landed property and therefore cannot explain why rent exists; a modern theory of mineral-rent, capable of explicating its social signification, must be able to explain the dynamic social relation between the modern form of landed property and the modern form of capital specific to mining; the manager component of the modern form of landed property, the neocomprador fraction of the bourgeoisie, is currently aligned with the interests of transnational mining capital to the detriment of the interests of the Australian people who are, in the juridical sense, the owners of the minerals within the bounds of the Australian state. These rudimentary observations will be developed throughout the following examination of landed property in the Australian social formation in relation to the self-expansion of capital globally.

The first section of the thesis outlines the scope of the problems inherent to prevailing theories of mineral-rent. This is achieved through a critical survey of mineral-rent theory with a focus on the orthodoxy currently informing the discourse on taxation in relation to the minerals industry. It is argued that the root of the problem for orthodox rent theory is the assumption, drawn from Ricardian propositions and flowing into Neoclassical general and partial equilibrium theory, that landed property does not exist, except in a superficial juridical sense, within the capitalist mode of production. Ricardo assumed away landed property in his conception of rent because the existence of landed property meant the possibility of an absolute rent on land owing to a class monopoly of land. The existence of absolute rent vitiated Ricardo's labour theory of value because it meant that land and not labour had created value. For this reason, Ricardo proceeded from the assumption that landed property did not exist in capitalism. This assumption was carried forward through the Marginalist revolution of the 1870s and came to inform the Neoclassical theory of rent. The centrality of general and partial equilibrium in the Neoclassical tradition meant that rent became generalised across the economy and not specific to land. Rent then did not function as the economic expression of a political antagonism capable of acting as a barrier to the accumulation of capital as it could have done in the Ricardian framework.

This first section also entails a discussion of the methodology informing the dissertation. The analysis is framed within the various traditions of historical materialism and adopts the methodological devices developed within these traditions. The critique of political economy pioneered by Marx and Engels in the nineteenth century forms a point of departure for this evolving methodological tradition. The key features informing this study can be summarised as the materialist conception of history utilising dialectical reasoning. This approach to historical inquiry, in accordance with the critical development of economic principles, complements a generative approach to class analysis that seeks to frame the examination of a particular social class in relation to the dynamic processes of capital accumulation, which simultaneously determines and is determined by it. These fundamental points will be elaborated in detail in the discussion on methodology.

The second section of the thesis deals with the history of economic thought in relation to the development of rent theory. This discussion entails a selective and critical survey of theories of rent beginning with the school of Physiocracy in the Eighteenth century. The contributions of the Classical, Marginalist and Formalist Schools will then be examined in turn. The contemporary orthodoxy in economic thinking about mineral-rent is constituted by elements derived from the contributions of each of these schools of economic thought. While the focus of this section is primarily ideas, the discussion of economic theories will be cast against analysis of salient features of the historical context of each period.

Economic problems stemming from the antagonism between landed property and capital will inform primarily this element of the discussion. It is argued that the key contributions to the development of rent theory were reactions to qualitative shifts in the class relations between landed property and capital at each given historical conjuncture. As rent is the economic expression of a class antagonism, each new theory of rent is necessarily an expression of the evolving relation between landed property and capital. Physiocratic notions of rent reflected the primacy of agriculture in French society of the eighteenth century along with the deterioration of feudal social relations of production. Classical rent theory marked the emergence of a dominant industrial capitalism and sought to provide a theoretical justification for the political reproach of the landed class. The Marginalists and Formalists were faced with the declining relevance of landed property in the capitalist mode of production and hence denied the relevance of a theory of rent specific to land, generalising the rent relation across all economic spheres. Since the qualitative shift in the dynamics of capital accumulation from the 1970s, the primacy of landed property in determining broader patterns of capital accumulation has reemerged as an important political and economic issue. It is, therefore, now necessary to mount a critical reappraisal of rent theory in general and of the theory of mineral-rent in particular.

The third Part of the thesis engages with an alternative avenue of inquiry for the theorisation of rent first broached in the nineteenth century by Karl Marx. The critical historical materialist methodology developed by Marx and Engels permitted the prescient observation that the capitalist mode of production presupposed landed property and must therefore preserve its function, if not its form, in order to reproduce capitalist social relations of production. Put simply, abolishing private ownership in land meant undermining the entire system of private ownership that formed the foundation of capitalist social relations of production. Marx proceeded from this point to develop his own theory of ground-rent as a critique of the extant theories of rent developed by the Physiocrats and the Classical school. Marx's contribution was historically contingent and therefore unable to grasp the shifts in the dynamic relation between landed property and capital after his death. His theory of ground-rent is inadequate for contemporary analysis in the sense that it could not have anticipated developments in the dynamics of capital accumulation of a qualitatively different nature to those that prevailed in his own time. The fundamental aspect of his theory to be taken up in this dissertation is the acknowledgement that capitalism presupposes landed property and that therefore a theory of rent within capitalism presupposes a theory of landed property within capitalism. This fundamental point constitutes the basis of an epistemological break with not only the Classical school but of orthodox rent theory in the contemporary period. The remainder of the dissertation will engage rent theory in accordance with this alternative epistemology.

Once the technical aspects of the epistemological break in Marx's theory of ground-rent have been established the discussion will move onto the extension of this line of inquiry in contemporary scholarship. Three important contributions to this heterodox discourse will be examined. Ben Fine's attempt to move toward a general theory of mining will be critically examined with particular reference to his notion of vertically integrated systems of provision. Chibuzo Nwoke’s analysis of price formation of mineral commodities in the global context will be engaged critically with a specific focus on the claim that the state in capitalism functions as the modern form of landed property. Finally, David Harvey’s claim that the theorisation of rent according to a historical materialist methodology necessarily requires an analytical distinction between what are termed ‘revenues’ and ‘capital’ will be engaged critically before being incorporated into the framework of analysis. Key elements of each contribution will inform the construction of a framework within which to examine the development of the modern form of landed property in relation to the modern form of capital in Australia.

The fourth and final section of the thesis will explicate a historically and geographically contingent theory of landed property in Australia. The discussion will entail analysis of the historical development of landed property on the continent of Australia since 1788. This periodisation is necessary because the traditional mode of production, which prevailed on the continent prior to the European invasion, did not have a system of landed property within a mode of production productive of a surplus, thereby creating a social antagonism based on the appropriation of land. This dissertation is concerned with developing a theory of landed property within the capitalist mode of production and will therefore only include a cursory discussion on the form of property in land that existed outside of capitalist social relations.

The analysis will be organised according to four historical periods that correspond to developments in the form of landed property. The first period looks at the form of landed property during the early colonial period from 1788 until the 1860s. It is argued that capitalist relations of production had not yet emerged as the dominant mode of production within the colonies and therefore the form of landed property accords with an earlier form of capitalist development than the one that existed in North Western Europe at the time. The second period deals with the Land Reform movements from the 1860s through to the Federation of the colonies in 1901. It is argued that the passing of the Robertson and Duffy Land Acts in the early 1860s marked the point at which the industrial bourgeoisie became the motive force in the social formation emerging on the continent. It is from this point that the capitalist mode of production becomes the determinant force of development and therefore marks a shift in the dynamics of power between landed property and capital. The third period dates from Federation until the passing of the Native title Act in 1993. It is argued that this period is marked by the development of the Federalist arrangements that permitted the state to exact a portion of the rents generated through the extraction of minerals.

The fourth period is from the passing of the Native title legislation and its associated common law cases from the 1990s until the repeal of the MRRT in 2014. The juridical recognition of indigenous people as landed proprietors must be considered in the construction of a theory of landed property in the contemporary context. However, it must be stressed that the appropriation of mineral-rent, if any, by this group does not constitute a large enough share of the total rents to warrant attention beyond the acknowledgement of a technical component of modern landed property. Indigenous landowners do not constitute a barrier to the accumulation of capital across the economy due to their juridical role as a constituent of modern landed property. This is because mineral-rent, as the payment for the use of mineral lands, is not simply mediated by ownership but rather also by access to capital. This is what distinguishes the indigenous landowners from the next constituent group of modern landed property, the neocomprador fraction of the bourgeoisie.

The discussion then turns, after detailing the historical evolution of landed property since 1788, to an examination of the formation and social reproduction of what is termed initially, the neocomprador fraction of the bourgeoisie. This section argues that this powerful class fraction dominates, both directly and indirectly, political processes through various mechanisms of control. The misappropriation of mineral-rents is the primary source of social reproduction for this class fraction but it also indirectly affects the dynamics of capital accumulation in Australia, and globally, through its control of access to vertically integrated systems of provision. The near monopoly control over exploration activities, access to the state apparatus, mineral tenements, links to transnational mining capital and links to transnational finance, make this class fraction the primary constituent of the modern form of landed property. Their ownership of the mineral lands is not of the juridical kind, as with the Native titleholders and the State. Rather, the comprador bourgeoisie *control* access to the minerals. This is how they have been able to misappropriate the majority of mineral-rents generated throughout the lucrative mining boom dating from the early 2000s. Feudal landed property combined the ownership and control functions of landed property in one visible class. Modern capitalist landed property in Australia entails a division of labour which sees the ownership function delegated to the state and indigenous groups while the control function, the most important, falls to a fraction of the bourgeoisie whose social reproduction depends upon controlling access to mineral lands.

This concludes the brief outline of the substantive arguments of each section. The broad structure of the study has now been established. First, the prevailing theory of mineral-rent will be critically evaluated. Second, an alternative conception of mineral-rent, premised upon the construction of a historically contingent theory of landed property, will be put forward in order to address the failings of the orthodoxy. Third, the development of landed property in relation to capital will be examined in historical context in order to provide a sound platform for the move toward a socially significant theory of mineral-rent. The discussion will now turn to sketching the broad context of the problem of mineral-rent in Australia.

The Broad Context of the Problem

> *Hegel says somewhere that all great historic facts and personages recur twice. He forgot to add: "once as tragedy, and again as farce"*
> **Karl Marx (1852)**[9]

When R.W. Connell penned the preface to *Ruling Class, Ruling Culture* in 1977, the prophetic irony of the opening lines could not have been known. Writing about the dismissal of Labor Prime Minister E.G. Whitlam, Connell remarked,

> If there remained any lingering doubt about the class nature of Australian politics, the events of late 1975 must have resolved it. There is hardly a clearer case, in the recent history of 'western democracies', of the way a threatened ruling class is able to mobilize fragments of state power, business connections, financial resources, and the legitimacy given them by the dominant culture, in a campaign to remove an offending government.[10]

Three decades later, it would be another Labor Prime Minister, Kevin Rudd, who would draw the ire of the global bourgeoisie. This time the offending government would remain in power but under the leadership of Australia's first female Prime Minister, Julia Gillard. But by the time the federal Labor party was defeated by the Liberal coalition led by Tony Abbott in the September 2013 election, Rudd, the formerly deposed Prime Minister, would be returned to the party leadership. The remarkable narrative of this tumultuous period was perhaps best captured by another book written about the Whitlam government in 1974 by Bruce McFarlane and Bob Catley: *From Tweedledum to Tweedledee.*[11]

The Federal Labor government, under the leadership of Prime Minister Kevin Rudd, announced its plan to legislate a Resource Super Profits Tax (RSPT) on 2

[9] K. Marx, *The Eighteenth Brumaire of Louis Bonaparte,* Trans. Daniel De Leon, Charles H. Kerr and Company, Chicago, 1907, p. 5.
[10] R.W. Connell, *Ruling Class, Ruling Culture: Studies of Conflict, Power and Hegemony in Australian Life,* Cambridge University Press, Cambridge, 1977, p. vii.
[11] Robert Catley and Bruce McFarlane, *From Tweedldum to Tweedledee: The New Labor Government in Australia, A Critique of its Social Model,* Australia and New Zealand Book Company, Sydney, 1974.

May 2010 in accordance with the findings of a review of Australia's tax system headed by Treasury Secretary Ken Henry.[12] The *Australia's Future Tax System Review,* otherwise known as the Henry Tax Review, was a 'root and branch' reappraisal of the existing taxation regime with a view toward reform that was commissioned in 2008 by the Rudd government.[13] The initiative occurred in the context of a crisis in global capitalism initiated by the sub-prime mortgage crisis in the USA. In order to address apparent fiscal deficits incurred, in part, by the counter-cyclical stimulus programs implemented in response to the crisis, Henry proposed taxing the super-profits generated by the boom in the export- oriented resources sector that had been in effect since around 2005.[14] Henry claimed that the current taxation arrangement for the resources sector did not capture an appropriate return for the broader community because it was unresponsive to changes in profit and distorted production and investment decisions. [15] Moreover, the report called for the replacement of current arrangements with a uniform resource rent-based tax to be administered by the Commonwealth.[16]

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[12] Kali Sanyal and Paige Darby, *Budget 2010-11: Taxation, Resource Super Profits Tax*, Parliament of Australia, 2011, viewed 12/2/15 http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201011/TaxationRSPTax,

[13] The stated aim of the review, as per the preface to the final report to the Treasurer, was to 'create a tax structure that will position Australia to deal with its social, economic and environmental challenges and enhance economic, social and environmental wellbeing', K. Henry et al, *Australia's Future Tax System: Report to the Treasurer,* Australian Government Publishing Services, Canberra, 2010, p. v.

[14] There are various claims regarding when the mining boom actually began. This approximation was made by the Deputy Governor of the Reserve Bank of Australia and is judged according to increases in investment and commodity prices. Ric Battelino, 'Mining Booms and the Australian Economy', *RBA Bulletin,* March Quarter, 2010, p. 67.

[15] *Op. Cit.* K. Henry et al, *Australia's Future Tax System: Report to the Treasurer,* 2010, p. 217.

[16] *Ibid,* p. 217.

The RSPT prompted vehement criticism from mining company executives, business organisations and politicians. Marius Kloppers, the CEO of Broken Hill Proprietary Billiton (BHPB) at the time, claimed that although he had 'been through two Brazilian crises and the Asian crisis', this tax posed the greatest sovereign risk that he had seen, 'by an order of magnitude'.[17] In a similar vein, Rio Tinto's CEO, Tom Albanese, claimed that 'from my own perspective, this is my No. 1 sovereign risk issue on a global basis'.[18] These claims were supported by calls from the Minerals Council of Australia to re-evaluate the tax based on the 'loss of confidence in Australia as an investment destination'.[19] In addition, the Business Council of Australia called for the tax to be scrapped and reconstructed in consultation with the resources sector or there would be 'long-term consequences for investment and growth prospects'.[20] Some critics even characterised the tax as a socialist measure. Julie Bishop, the shadow Minister for Foreign Affairs and Trade at the time, linked the conceptual basis of the RSPT to Karl Marx's *Das Kapital*.[21] Meanwhile, the mining magnate Clive Palmer

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[17] Jennifer Hewett, 'Tax Biggest Danger to Mining: BHP Billiton CEO Marius Kloppers', *The Australian,* 7 June 2010, viewed 10/2/2015, http://www.theaustralian.com.au/business/tax-biggest-danger-to-mining-marius-kloppers/story-e6frg8zx-1225876203592

[18] Scott Murdoch and Susannah Moran, 'Miners go over the top on sovereign risk', *The Australian,* 29 May 2010, viewed 10/2/2015, http://www.theaustralian.com.au/business/miners-go-over-the-top-on-sovereign-risk/story-e6frg8zx-1225872750820

[19] AAP, 'Minerals Council want RSPT Uncertainty Resolved', *Australian Financial Review,* 9 June 2010, viewed 10/2/2015, http://www.afr.com/p/business/companies/minerals_council_wants_rspt_uncertainty_2JExkfLQNIV3A9qitoEQwI

[20] AAP, 'BCA says start all over again on RSPT', *Australian Financial Review,* 21 June 2010, viewed 9/2/2015, http://www.afr.com/p/national/bca_says_start_all_over_again_on_NfhYYLQnOCQblEtdy0jm0N

[21] Julie Bishop, 'Super Profit Right Out of Das Kapital', *The West Australian,* 8 May 2010, p. 33. Marx's critique of political economy certainly does contain lengthy expositions of surplus value and profit although it is difficult to pinpoint exactly where he examines 'super profits'. The editions published in English by Progress Publishers Moscow of the three volumes of *Capital* and the three volumes of *The Theories of Surplus Value* (also known as the fourth volume of

went so far as to call the Treasurer Wayne Swan a communist and referred to the Prime Minister as 'comrade Rudd'.[22]

While the RSPT could not in any meaningful way be characterised as a socialist measure, and it is safe to assume that *Das Kapital* was not consulted in its making, Marx's critique of political economy may shed light on the material context within which these lofty debates are grounded. It is rather difficult to take seriously the claims of Kloppers and Albanese with regard to sovereign risk when both BHPB and Rio Tinto were heavily invested in countries with considerable sovereign risk owing to political and economic instability. At the time those comments were made, Rio Tinto was involved in a $5 billion copper-gold project at Oyu Tolgoi in Mongolia, a country that had received $236 million from the International Monetary Fund (IMF) in 2009 as a means to ensure financial stability.[23] Similarly, Broken Hill Proprietry-Billiton (BHPB) was invested in a $5.2 billion alumina project in Guinea where, at the time Kloppers bemoaned the RSPT, a military junta was dealing with a deepening political crisis.[24] So why then did Albanese and Kloppers express such disdain for the RSPT as a sovereign risk issue? Much of the commentariat, along with pro-

Capital) do not contain any mention of 'super profits'. The translation of 'extra merwhert' is extra surplus value, which is referred to as surplus profit. In volume three of the Penguin edition of *Capital,* there is one instance of 'super-profit' appearing in a footnote on page 268. This footnote, however, belonged to Engels and was added while editing the volume after Marx had died. Moreover, Bishop's claim seems dubious when one considers the likelihood of Rudd or Henry having ever read *Das Kapital,* let alone getting to the third volume.

22 ABC, 'Transcript: Miners Revolt Against Super Tax', *Lateline,* 7 May 2010, viewed 8/2/2015, http://www.abc.net.au/lateline/content/2010/s2892642.htm

23 M. Murphy, 'It's a War-zone: Rio's Albanese on our Sovereign Risk', *SMH,* 25 May 2010, viewed 4/2/2015, http://www.smh.com.au/business/its-a-war-zone-rios-albanese-on-our-sovereign-risk-20100524-w832.html

24 B. Fitzgerald, 'BHP fears risk in Guinea project', *SMH,* 10 September 2011, viewed 3/2/2012, http://www.smh.com.au/business/bhp-fears-risk-in-guinea-project-20110909-1k21q.html

mining tax politicians, dismissed these claims as self-interest and greed on behalf of the mining executives. This may partially explain such sentiments but the very real investment strikes which followed such as BHPB's Olympic Dam expansion project point to deeper issues.[25]

If Kloppers and Albanese were sincere about the sovereign risk issue posed by the potential RSPT, the question then becomes why this tax would outweigh political and economic instability of the magnitude faced in Guinea and Mongolia. Here the answer may reside in *Das Kapital.* Marx's exposition of ground-rent and critique of extant theories of rent provide fertile points of departure for engaging with the real reasons the RSPT posed such a sovereign risk issue. The RSPT represented a direct attack on the material basis of the rent relation: the political power to appropriate the rent generated through mineral extraction, processing and distribution. That the RSPT was to be retrospectively implemented meant that what Marx called differential rent type II which would normally accrue to the capitalist, by virtue of a fixed rent for a fixed period of time, would now accrue, in part, to the landowner, the state. The flow of surplus-value in the form of mineral-rent would be negligible but the precedent it would set, and the model it would provide, for countries with mineral endowments was unacceptable to Kloppers and Albanese. This is what

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[25] M. Bennet, 'Olympic Dam Expansion at Risk Over Tax: Morgan Stanley', *The Australian,* 16 June 2010, viewed 5/6/2011, http://www.theaustralian.com.au/archive/business-old/olympic-dam-expansion-at-risk-over-tax-morgan-stanley/story-e6frg9no-1225880335279;
P. Ker, 'BHP Mothballs Olympic Dam Expansion', *The Sydney Morning Herald,* 22 August 2012, viewed 22/8/2012, http://www.smh.com.au/business/mining-and-resources/bhp-mothballs-olympic-dam-expansion-20120822-24m4i.html

Albanese meant when, after Rudd had been deposed, he warned, 'Policymakers around the world can learn a lesson when considering a new tax to plug a revenue gap, or to play local politics'.[26]

The inability to gain political consensus and popular support for the mining tax led to Rudd being deposed as Prime Minister by his own party and to his replacement by Julia Gillard. After a protracted period of factional turmoil destabilising the mandate of the Labor party in government, Tony Abbott led the Liberal Party to a considerable victory in the 2013 federal election and repealed the mining tax in September 2014.[27] In the four years since the proposal was raised, it had undergone significant amendment, rendering the tax somewhat impotent as demonstrated by the negligible sums actually paid by mining companies.[28]

This episode in Australian politics prompts consideration of numerous political and economic issues. The concept of autonomous democratic governance beholden to the will of the citizenry approaches farce when this issue is viewed through the lens of what Connell described in relation to the Whitlam dismissal. The circumstances surrounding the replacement of Rudd by Gillard are different

[26] P. Wilson, 'Rio's Albanese uses Rudd example as a warning to other governments', *The Australian,* 10 July 2010, viewed 3/2/2011, http://www.theaustralian.com.au/business/rios-albanese-uses-rudd-example-as-a-warning-to-other-governments/story-e6frg8zx-1225890000530

[27] E. Griffiths, 'Mining tax repeal: Joe Hockey says $6.5 billion hit to budget bottom line is 'damn good deal' for Australians', *ABC Online,* 3 September 2014, viewed 5/3/2015, http://www.abc.net.au/news/2014-09-02/government-strikes-mining-tax-deal-with-palmer-united-party/5713116

[28] M. Chambers, 'Rio Tinto Pays No Mining Tax', *The Australian,* 9 August 2013, viewed 6/4/2014, http://www.theaustralian.~~com.au/national-affairs/rio-tinto-~~pays-no-mining-tax/story-fn59niix-1226693857717

but the commonalities with regards to the influencing of political processes by business groups are glaring. Moreover, the implications of such commonalities pose various important questions regarding the social dynamics underpinning Australian society. Key areas of economic policy reform are contingent upon the ability of the federal and state governments to address fiscal deficits occasioned, in large part, by the economic downturn currently plaguing the global economy. Issues of taxation, and hence government revenue, relating to the resources sector are some of, if not the most, significant political and economic issues confronting scholars in the contemporary period. It is necessary to develop further our understanding of what transpired, how exactly it happened and, most importantly, why. Understanding the implications and motivations underpinning this event is critical to planning the most appropriate ways to manage the continuing boom in Australia's resources sector. The question then becomes, how can this episode in Australian history be understood?

This study seeks to contribute to this process of understanding by interrogating the validity of orthodox rent theory as a basis for progressive taxation in relation to the resources sector. This brief attempt to frame the investigation has suggested that there are explanations of a fundamental nature that explain the appearances of political turmoil surrounding the mining tax debate. It has been suggested that in order to understand the class dynamics, the very concept of rent needs to be rearticulated in terms of the dynamic social relations of production that engender class antagonisms. The following section will specify further the nature of the research problems in terms of their epistemological and ontological premises.

Formulation of the Problem: Theory, Practice and Methodology

The previous two sections of this chapter have established broadly the limitations of this study. The first section sought to outline the fundamental logical basis that informs all avenues of inquiry raised throughout the dissertation. To reiterate briefly, this study proceeds from a simple dialectic in which mineral extraction according to capitalist conditions of production presupposes rent which, by virtue of its specificity to mining, could be appropriately labelled mineral-rent; mineral-rent is demanded by the owner of the minerals for the permission to extract them which therefore implies there is a barrier to the flow of capital onto mineral-lands; the theory of mineral-rent in capitalism presupposes private property in land, which therefore requires a theory of landed property. The second section sought to establish the social significance of the contemporary debates surrounding the theory of rent in general and of mineral-rent in particular. It was argued that a deeper scholarly engagement with the underlying forces that both create and determine the distribution of rents would permit a greater understanding of one of the most tumultuous political and economic periods in recent Australian history. This section will build upon these foundations by articulating specific research questions and indicating initial responses to be elaborated in detail in the following chapters. The research methodology informing the analysis of these research questions will also be elucidated in this section.

The problem of mineral-rents in Australia is that apparently, there is no problem. This prevailing consensus prompted the Chairman of the Productivity

Commission, Gary Banks, to deliver a conference paper in 2011 entitled *Australia's Mining Boom: What's the Problem?*[29] The current orthodoxy in economic reasoning justifies the political inability to impose rent-targeting taxes upon firms operating in the mining sector. Public discourse on the issue of exacting mineral rents generally accords with the view that current arrangements are 'fair'. This study seeks to problematise the prevailing economic theory while investigate the political refusal to pursue rent-maximising strategies in order to provide a constructive contribution to the public discourse on the issue of mineral-rent appropriation in Australia. A justification for this critical historical analysis is to be found in a body of scholarship that suggests transnational mining companies have tended to dominate host governments in relation to the appropriation of mineral-rents. Empirical studies have shown that since 1945, this relationship of subordination, whereby mining firms do not adequately compensate the owners of minerals, has in fact become the generalised form of conducting mining operations globally.[30] In light of such findings, the proposition that the

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[29] G. Banks, *Australia's Mining Boom: Whats the Problem?,* Address to the Melbourne Institute and The Australian Economic and Social Outlook Conference, 30 June 2011, viewed 14/7/2015, http://www.pc.gov.au/news-media/speeches/mining-boom-what-problem/mining-boom-what-problem.pdf

[30] See, for example, C. Nwoke, 'World mining rent: an extension of Marx's theories', *Review (Fernand Braudel Center),* 1984, pp. 29-89; C. Nwoke, *Third World Minerals and Global Pricing: A New Theory,* Zed Books, London, 1987; T. Turner, 'Nigeria: Imperialism, Oil Technology and the Comprador State', in P. Nore and T. Turner (eds.), *Oil and Class Struggle,* Zed Press, London, 1980; C. Bina, *The Economics of the Oil Crisis,* St. Martin's Press, New York, 1985; C. Bina, 'Some controversies in the development of rent theory: the nature of oil rent', *Capital & Class,* Vol. 13, No. 3, 1989, pp. 82-112; C. Bina, 'Competition, control and price formation in the international energy industry', *Energy Economics,* Vol. 11, No. 3, 1989, pp. 162-168; C. Bina, 'Limits of OPEC pricing: OPEC profits and the nature of global oil accumulation', *OPEC review,* Vol. 14, No. 1, 1990, pp. 55-73; C. Bina, 'The globalization of oil: A prelude to a critical political economy', *International Journal of Political Economy,* Vol. 35, No. 2, 2006, pp. 4-34; K. Takeuchi, 'CIPEC and the Copper Export Earnings of Member Countries', *The Developing Economies,* Vol. 10, No. 1, March 1972, pp. 3-29; M. Tanzer, 'The State and the Oil Industry in Today's World', *Monthly*

distribution of mineral-rents in Australia is equitable becomes dubious. Even if such a proposition were true, the question of how Australia has managed to defy a generalised global trend needs to be answered. In either case, the problem of mineral-rents in Australia is an issue deserving of scholarly analysis.

There are various problems to be solved within the broader quandary of mineral-rents. This complex issue straddles numerous scholarly disciplines including international political economy (IPE), comparative economic history, the history of economic thought, Australian mining history and the political economy of Australian capitalism. While it would be impossible to make any meaningful contribution to each and every field within a single dissertation it is argued that analysis of the problems inherent to the issue of mineral-rents within the Australian social formation warrants a broad methodological approach that at least engages with these various discourses. Here, it is instructive to recall Pierre Vilar's remarks regarding methodology in historical inquiry,

> The trade of history has something in common with the detergent industry: in both, novelty is frequently passed off as real innovation. But there is also a difference: in the former business, brand-names are very poorly protected. Anybody can call himself a historian. Anybody can add 'Marxist' to the title if he sees fit. Anybody can call anything he likes 'Marxist'. Nevertheless, if there is one thing more difficult and rare than to become a historian, it is to be a Marxist historian. For the term ought to imply the strict application of an elaborate theoretical mode of analysis to the most complex of all scientific subject-matters: the social relationships among men and their modalities of change. One may even wonder if the high standards of this definition have ever been met.[31]

Review, Vol. 29, No. 10, March 1978; H.W. Singer, 'The Distribution of Gains Between Investing and Borrowing Countries', *American Economic Review,* 1950, pp. 473-485.

[31] P. Vilar, 'Marxist History, A History in the Making: Towards a Dialogue with Althusser', *New Left Review,* Vol. 1, No. 80, 1973, p. 65.

While Vilar's goad to Althusser must be read as such, it does at least indicate the difficulties involved in seeking to understand the myriad social factors and forces involved in determining the current contours of not only the debates surrounding the issue of mineral-rents, but, more importantly, the material context that gave rise to them. Therefore, the broad methodology to be employed in this study will draw on the various traditions of historical materialism. It is argued here that this interdisciplinary approach is the one most capable of explicating the issue of mineral-rents within the scope of analysis set out above.

Two components that inform the current study can usefully be characterised initially as issues of theory and issues of practice relating to mineral-rents. While it may seem gratuitous to state that such distinctions are purely for analytical purposes and do not reflect the integration of these issues in reality, it is a necessary qualification given the nature of the prevailing scholarship on such matters. The issues relating to theory circle and intersect the key debates within the extant scholarship on the concept of mineral-rents. The problems to be addressed in relation to this concept are twofold: does the current theory of mineral-rents sufficiently explain the creation and distribution of surplus-value in the sphere of mineral extraction; and, to what normative end does this theory portend? These questions beget analysis of how the theory of mineral-rents has manifested in practice. What policy frameworks have this theory informed and more importantly, what social forces underpin such frameworks? The following discussion will survey the contours of these problems and arrive at a set of specific research questions that are derived from research gaps within the extant scholarship surrounding mineral-rents.

The first observation to be made is fundamentally important and will locate the subsequent discussion in its proper context. Following Harvey, rent is simply a ‘money payment for the use of land and its appurtenances’, however, ‘this simple money payment can conceal a host of possible social significations that can be unraveled only through careful socio-historical investigation’.[32] It is from this basis that this critique of orthodox theories of mineral-rents will proceed. The prevailing conception of mineral-rents, firmly grounded within the Neoclassical tradition of economic thought, is valid to the extent that it permits the measurement of one type of rent and perhaps the implications of this as an allocative mechanism for investment. What the theory fails to grasp, however, are the social significations inextricably embedded within the rent relation. These include, but are not limited to, the dynamics of the class relations determining the magnitude of mineral rents, the inherent antagonism and exploitation rooted within those relations and the mechanisms by which the distribution of mineral-rents are effected. Moreover, in relation to the normative aspects of the theory, there is no scope to explore such issues within the orthodox framework because the creation and distribution of mineral-rents is characterised as a technically given and politically sterile process bereft of such considerations. Thus, even policy prescriptions aimed at improving the contribution of mining to the welfare of the nation such as the

[32] D. Harvey, ‘Land Rent and the Transition to the Capitalist Mode of Production’, *Antipode,* Vol. 14, No. 3, 1982, p. 25.

recommendations of the Henry Review can be easily dismissed within political debates because the theory underpinning such policies is regarded separately to the complex social relations that underpin the Australian social formation within the context of the global political economy. The starting point for appropriately considering these complex issues is to broaden the scope of analysis with regard to the theory of mineral-rents. That is, the task of theory is not merely to construct a framework for the measurement of mineral-rents but also to 'establish the underlying forces that give social meaning to and fix the level of the rental payment'.[33]

To begin the task of developing a theory of mineral-rents with a broader explanatory scope the analytical framework employed must be capable of moving through and between the arbitrary lines delineating scholarly disciplines. To this end, this study appeals to the dynamic traditions of historical materialism. The genesis of these traditions can be traced to Marx's critique of political economy in the four volumes of *Capital*[34] and draws its strengths, and limitations, from his attempts to *generate* a theory of class by analysing the laws of motion underpinning an evolving capitalist mode of production throughout the nineteenth century. This methodology, as it has developed in the vast discourse of class analysis inspired by the work of Marx and Engels, is far from uncontentious. Indeed, proponents of this approach agree less with, and are often more critical of, each other than those who entirely disavow historical

33 *Ibid,* Harvey, 'Land Rent and the Transition to the Capitalist Mode of Production', 1982, p. 25.
34 The *Theories of Surplus Value,* of which there are three volumes, constitutes the fourth volume of *Capital*, referred to here. Much of the material published in the *Theories of Surplus Value* is thought to have been intended by Marx to be integrated into further volumes of *Capital.*

materialism. The approach forwarded here does not seek to accord with any one variant that has developed within these traditions but rather aims to adopt the dialectical and materialist methodology employed throughout the work of Marx and Engels, although primarily in *Capital,* for an analysis of a particular aspect of the Australian social formation in a specific historical period. This methodology, due to its dialectical and materialist nature, is difficult to define in and of itself. As Vilar notes, Marx 'discovered his method by practising it' and 'we can only recover it in his practice'.[35] Marx and Engels' statement in a letter to the German economist Walther Borgius in 1894 provides a useful starting point:

> Political, legal, philosophical, religious, literary, artistic etc. development rests on the economic base. It is not that economic conditions are the sole active cause and everything else mere passive effect. Rather there is interaction on the basis of a prevailing economic necessity in the last instance....Hence there is not...an automatic effect produced by economic conditions; rather men make their history themselves, but in a given milieu which conditions them; they do this on the basis of pre-existing relations, amongst which the economic are decisive in the last instance, though they may be influenced by other relations, political and ideological; yet in the last instance they are decisive and constitute the sole guide to knowledge.[36]

It is clear from this passage why the accusation of 'economic reductionism' has been, and is often, levelled at Marx, Engels and those who attempt to practice the methodology drawn from this observation. Such claims can be rejected on the basis of a misreading of not only the work of Marx and Engels but also of the majority of analysis within the traditions of historical materialism. To draw on

[35] *Op cit,* Vilar, 'Marxist History, A History in the Making', 1973, p. 67.
[36] K. Marx and F. Engels, *Werke, Volume 39,* Dietz Verlag, Berlin, 1956, p. 206.
The better known version of this statement is to be found in Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte,* Progress Publishers, Moscow, 1937, p. 5.
'Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living.'

Vilar again, writing in 1973, 'in spite of all the residues left by a century of misunderstanding, it is now starting to be accepted that historical materialism is not a form of economic determinism'.[37] The passage above demonstrates the dialectical nature of the logic employed by Marx and Engels rather than the vulgar economic reductionism it has been mistaken for.

As Engels states in *Anti-Dühring,* 'the materialist conception of history starts from the proposition that the production of the means to support human life and, next to production, the exchange of things produced, is the basis of all social structure'.[38] This is no more an economic reductionist argument than it is to state that human beings need to eat in order to live. Production in this sense refers to the concrete production of material needs but the term can also be used to designate production of a different kind. Marx seemed to imply a certain economic reductionism in the *Grundrisse* when he claimed that,

> Production predominates not only over itself, in the antithetical definition of production, but over the other moments as well. The process always returns to production to begin anew. That exchange and consumption cannot be predominant is self-evident. Likewise, distribution as distribution of products; while as distribution of the agents of production it is itself a moment of production. A definite production thus determines a definite consumption, distribution and exchange as well as definite relations between these different moments. Admittedly, however, in its one-sided form, production is itself determined by the other moments. For example if the market, i.e. the sphere of exchange, expands, then production grows in quantity and the divisions between its different branches become deeper. A change in distribution changes production, e.g. concentration of capital, different distribution of the population between town and country, etc. Finally, the needs of consumption determine production. Mutual interaction takes place between the different moments. This is the case with every organic whole.[39]

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[37] *Op cit,* Vilar, 'Marxist History, A History in the Making', 1973, p. 71.

[38] F. Engels, *Anti-Duhring,* Lawrence & Wishart, London, 1943, p. 316.

[39] K. Marx, *The Grundrisse: Foundations of the Critique of Political Economy,* Penguin, London, 1973, p. 40.

The two types of production here are concrete production (i.e. of commodities) and the production of surplus-value (i.e. in the abstract). It is the latter that predominates over all else. The production of surplus-value is not in and of itself strictly an economic matter. It is a complex set of social relations that subordinates concrete production, exchange and distribution. Marx did not reduce the myriad complexities of social reality to concrete production. He simply made the accurate claim that all social formations where the capitalist mode of production prevails are subordinated in the first instance to the continued production of surplus-value. That the technical definition of economic recession is two consecutive quarters of negative GDP growth bears testament to this fact.[40] Here in these passages is the crux of historical materialism, whereby the 'economic' is a social activity that humans engage in to meet material needs, which simultaneously determines social structure, while being determined by it. The causality is reflexive and any understanding of these social relations must take account of the agents who 'make their history' but always in relation to the 'given milieu which conditions them'.

Another fundamental point informing the methodology of this study relates to what Marx wrote, or rather, did not write, about class. It is well known that the section on 'Classes' - chapter 52 - of the third volume of *Capital* remains an unfinished fragment numbering less than two pages. In it, Marx identified the dominant classes of his time by asking 'What makes a class?' before stating that

[40] J. Irvine, 'The Definition of Recession? Just Apply the Duck Principle', *Sydney Morning Herald,* 21 January 2009, viewed 16/2/2012, http://www.smh.com.au/federal-politics/the-definition-of-recession-just-apply-the-duck-principle-20090120-7lld.html

'this arises automatically from answering another question: "What makes wage-labourers, capitalists and landowners the formative elements of the three great social classes?"'.[41] The section breaks off after Marx problematises his rhetorical responses with 'at first sight, the identity of revenues and revenue sources' which would mean that 'doctors and government officials' but also 'forest-owners, mine-owners' would need to form distinct classes.[42] The point was being made that the identification of revenues and revenue sources was not a sufficient means to distinguish class.

Another clue lies in his letter to the journalist and soldier J. Weydemeyer in 1852 where he claimed that the novelty of his discovery was not the existence or anatomy of the three great classes or the struggle between them. The bourgeois historians already knew this, according to Marx, long before. Rather, Marx's discovery lay in the fact he could prove: '(1) that the existence of classes is only bound up with particular historical phases in the development of production, (2) that the class struggle necessarily leads to the dictatorship of the proletariat, (3) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society'.[43] What these insights demonstrate is that Marx saw the essence of class as something deeper than the source of revenue according to the complex division of labour and that whatever the distinction, it remained historically specific and dynamic. The

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[41] Karl Marx, *Capital: A Critique of Political Economy Volume Three,* Penguin, London, 1981, pp. 1025-6.
[42] *Ibid*, p. 1026.
[43] K. Marx and F. Engels, *Selected Correspondence, 2nd. Edn.,* Progress Publishers, Moscow, 1965, p. 69.

content of these statements is not technically informative with regard to a theory of class but it does suggest that class is a concept that is contingent upon the material realities of the social context within which it exists. Perhaps the reason Marx's explication of 'classes' in *Capital* remained unfinished was because the essence of class was to be found in the theoretical elaboration of the vast mode of production that generated them.

This approach to class has been usefully characterised as a generative approach by R.W. Connell. According to Connell, Marx's was a 'theory of class as a structure generated by the operation of some fundamental and highly general processes, whose effects ramify from the labour market into all other spheres of life'.[44] This is distinct from the categorical approach to class analysis that is concerned with a systematic way of sorting people where 'the task of theory is to discover and formulate the bases of…division and ordering in various societies, and the task of research is to trace out their correlates and consequences'.[45] This tradition of class analysis forms the basis of stratification theory in sociological analysis and draws, according to its practitioners, on Max Weber's definition of a 'class situation' as the sharing of a 'specific causal component of…life chances'.[46] Here the emphasis is on the distribution of life chances rather than understanding the social systems that produce them. A generative theory of class is concerned instead with the 'way in which elementary structures and processes are seen to generate a huge and complex

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44 *Op cit,* Connell, *Ruling Class, Ruling Culture,* 1977, p. 4.
45 *Ibid*, p. 4.
46 M. Weber, *Economy and Society,* University of California Press, Berkeley, 1978, p. 927.

historical reality' where the emphasis is on the 'processes producing social groupings, rather than the categories they produce; and on the activity of people, not merely their location in space'.[47] The generative approach to class analysis is capable of moving beyond the criticism of categorical class theories levelled by E.P. Thompson who claimed that even the 'finest meshed sociological net cannot give us a pure specimen of class, any more than it can give us one of deference or of love'.[48] Thompson, in his seminal history of the English working class, argued that class needed to be understood as 'an historical phenomenon unifying a number of disparate and seemingly unconnected events, both in the raw material of experience and in consciousness', emphasising its 'historical' character and not merely conceiving of class as a "structure", nor even as a "category", but as something which in fact happens (and can be shown to have happened) in human relationships'.[49] Insofar as the methodologies of historical materialism entail a generative approach to class analysis, Connell is correct in claiming that 'Marxism of Marx's kind remains the most important and fully developed instance of generative theory'.[50]

The key aspects of the historical materialist methodology that will be employed in the service of establishing the underlying forces that gives social meaning to and determines the magnitude of mineral-rents can be briefly summarized as

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47 *Op cit,* Connell, *Ruling Class, Ruling Culture,* 1977, p. 5.
48 E.P. Thompson, *The Making of the English Working Class,* Pantheon Books, New York, 1964, p. 9.
49 *Ibid*, p. 9.
50 *Op cit,* Connell, *Ruling Class, Ruling Culture,* 1977, p. 5.

follows. In accordance with Connell's endorsement of 'Marxism of Marx's kind', this study seeks to undertake a generative class analysis in the tradition of the materialist conception of history utilising dialectical reasoning. This approach is uniquely placed to analyse the problem of mineral-rents in the Australian context because it entails a focus on the underlying processes of accumulation that generate class formations. The brief survey of the context surrounding the debates on the issue of resource-rent taxation demonstrated the existence of significant tensions between political actors, vested interests in the mining industry and within the institution of the state more broadly. Whereas a categorical approach to class analysis may be able to illustrate the contours of this problem, the generative approach permits an analysis of why these tensions exist and could illuminate potential avenues for resolving them. In practical terms, applying the methodology outlined here to the problem of mineral-rents in Australia may provide a substantive point of departure for planning ways to manage the future of the Australian mining industry.

The discussion up to this point has been concerned with outlining the broad context of the focus of the study in relation to methodological concerns. It has been argued that in order to understand the issue of mineral-rents in the Australian context, the analysis need be informed by the materialist conception of history utilising dialectical reasoning. The focus will now turn to elaborating the specific questions that will be addressed using this methodology and to how exactly this will be achieved. In accordance with the methodological guidelines established previously, the analysis from this point onwards will be guided by the following questions:

(1) What underlying social forces determined the magnitude of mineral-rents within Australia during the most recent minerals boom?

(2) How has the distribution of mineral-rents been affected throughout this period and what specific social mechanisms have facilitated this?

(3) What are the potential avenues available to ensure the contribution of mining to the welfare of the nation is commensurate to the costs of permitting the extraction, processing and distribution of finite mineral resources?

The preliminary responses to these questions revolve around the central thesis of this dissertation: the development of large scale mining in Australia since 1945 has led to the emergence of a neocomprador fraction of the bourgeoisie which, in conjunction with an emergent transnational mining capital, has effectively misappropriated mineral-rents to the effect that the extraction of finite mineral resources no longer contributes in any meaningful way to the welfare of the country. Furthermore, in order to rectify this situation, it is necessary to nationalise the ownership of all existing mining operations in conjunction with the implementation of a broad legislative and regulatory infrastructure that can ensure the maximum level of mineral-rents is exacted in the extraction, processing and distribution of mineral commodities within the bounds of the Australian state.

The response to these research questions revolves around three axes: the place of the Australian mining industry within the global minerals industry; the circulation of what are termed revenues in relation to the flows of capital; and, the role of the distribution of mineral-rents as a determinant of patterns of capital accumulation in relation to the upstream activities of mineral extraction, processing and distribution, known collectively as, systems of provision. The investigation along these lines of inquiry will entail analysis of the global context, not just in terms of the minerals industry, but also of the conditions determining the global demand for mineral commodities as well as the competition between suppliers of mineral commodities.

The frame of analysis with regard to the global minerals industry identifies transnational mining companies as representative of capital and the host government as the landlord, by virtue of their exclusive rights of ownership over the minerals within their jurisdictions. This relationship typifies the contractual arrangements within the global minerals industry and permits analysis of the distribution of mineral-rents between these parties. It is assumed here that the relationship is also an antagonistic one, as both parties seek to maximise their share of mineral-rents. This framework has is problematic for various reasons that will be elaborated in detail below. Suffice it to say for now that such a framework does not account for the division of labour within modern landed property between the ownership and control functions. Examination and explication of this division is what distinguishes this current study from other Marxist approaches to understanding the rent relation in extractive industry. This distinction is a key element of this current study and will be substantiated in relation to the Australian context in Part 3 of this dissertation.

The distinction between flows of capital and flows of revenues is in accordance with the theory of ground-rent articulated by Marx within the context of his broader theory of value. Here the distinction is necessary and analytically useful because the theory of ground-rent Marx developed forms the point of departure for a critical engagement with the current prevailing theories of mineral-rents with the aim of moving toward the development of a new theory of mineral-rents that accounts for the social significance of mining. Moreover, Marx's theory was concerned solely with the flow of capital and assumed away the role of the circulation of revenues in this process. Therefore, it is necessary to operate on the basis of this distinction when attempting to develop a critical extension of this theory within the contemporary context.

Finally, the analysis of systems of provision incorporates the upstream activities necessary to the functioning of extractive mineral operations. These upstream activities include, but are not limited to, procurement services for labour and capital goods, finance and logistics. The analysis of these activities in relation to each other and in the context of an integral unity demonstrates that mineral-rents are not simply a passive element of distribution but are in fact an active determinant of broader patterns of capital accumulation. Each of these axes of inquiry is drawn from existing bodies of work within the historical materialist scholarship on mineral rents. The current synthesis draws specifically from the work of Chibuzo Nwoke, David Harvey and Ben Fine respectively with regard to the concepts outlined above. These frameworks will be explained in detail below in the section discussing the theoretical orientation of this study. The next chapter turns to the prevailing conceptions of mineral rents and provides a critical evaluation.

Chapter 2

The Contemporary Theory of Mineral-rent

> *Theory is always for someone and for some purpose…There is, accordingly, no such thing as theory in itself, divorced from a standpoint in time and space. When any theory so represents itself, it is the more important to examine it as ideology, and to lay bare its concealed perspective.*
>
> **Robert W. Cox (1981)** [1]

This section discusses two subjects: the prevailing approach to the theorisation of economic rent in relation to mineral commodities; and, the 'resource-curse' hypothesis as it relates to the Australian social formation. The 'resource-curse' hypothesis is directly related to theories of mineral-rents because the latter is the fundamental mechanism that determines the former. Both, as an allocative mechanism for investment, and, as a distributional consideration, the flow and magnitude of mineral-rent primarily determines the nature of the externalities associated with a 'resource-curse' situation. An examination of the 'resource-curse' hypothesis in historical context is imperative at a time when policy debates are focused upon addressing the fiscal ramifications of the end of the investment phase of the minerals boom. As noted in the introduction, much of the scholarship seeking to understand the significance of the minerals boom from a social-scientific standpoint accepts, almost uncritically, the conventional interpretation of the 'resource curse'. For these reasons, it is necessary to engage critically with the resource curse literature to clarify its significance for understanding the Australian context. The extant scholarship on the 'resource-curse' hypothesis as it relates to the Australian context throughout the post-War

[1] R.W. Cox, 'Social Forces, States and World Orders: Beyond International Relations Theory', *Millenium: Journal of International Studies,* Vol. 10, No. 2, 1981, p. 128.

period will now be surveyed with a view to moving beyond the current binary conceptions and offering suggestions for broadening the scope of analysis to include heterodox theories of mineral-rents.

The discussion proceeds from the observation that economic theories and the normative prescriptions that flow on from them are politically constructed and not technically given. Political considerations always underpin economic concepts and therefore the latter need always be analysed with a view to the former. The concepts used to understand dynamic social phenomena must change in accordance with their objects of analysis. While such observations seem like obvious statements, they do not inform the prevailing economic thinking that determines government policy on mineral taxation, regulation of mineral industries and contractual frameworks underpinning relations between the state and mining firms. Conventional wisdom on such matters is built upon a foundation of ahistorical absolutes that were developed pragmatically in response to historically specific political and economic problems. While the technical apparatus and the technical architecture built upon this foundation are sufficiently logical and sophisticated, both seek to address the wrong set of problems. Rather than concepts adapting to material circumstances, this mode of inquiry has sought to create its own object of analysis, removed from reality, raising tautology and sophistry to a science. The scope of policy debate is constrained because the circular reasoning of the economic logic is incapable of justifying anything but more of the same. Real problems emerge in relation to the contribution of mining to the welfare of the nation if there is any truth to the sentiments expressed by John Maynard Keynes when he wrote that ‘Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist'.[2] However much this holds, such idealism tells only half the story and mistakes correlation for causation. Keynes needs to be tempered and carried forward by Engels in that 'the final causes of all social changes and political revolutions are to be sought, not in men's brains, but in changes in the modes of production and exchange'.[3] Therefore, while ideas will form the substance of the following analysis they will be cast against concrete developments in the material context in which they were spawned and came to change.

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[2] J.M. Keynes, *The General Theory of Employment, Interest and Money,* Macmillan, London, 1936, p. 383.

[3] *Op cit,* F. Engels, *Anti-Duhring,* 1943, p. 316.

The Prevailing Conception of Mineral-rent in Australia

The Commonwealth government of Australia announced a review of the tax system on 13 May 2008. In the official media release, the federal Treasurer and Deputy Prime Minister, Wayne Swan, claimed that the review was aimed at positioning the country to deal with the 'demographic, social, economic and environmental challenges of the 21st century'.[4] The 'Henry review' as it came to be known bore the name of Treasury Secretary Ken Henry who led the expert panel that presided over the review process. One of the key considerations of the review was how to reform existing arrangements relating to mineral resource taxation. This aspect of the review was highly contentious owing to the interests of key stakeholders in the mining industry and the magnitude of economic activity occurring within the mining sector at the time. The contribution of the mining sector in terms of gross value added increased 161 per cent between 2004/05 and 2010/11, more than double the construction sector, which was the second largest increase at 62 per cent over the same period.[5] When the review was announced, Australia was in the midst of potentially the most lucrative, at least in terms of returns to the mining companies and rentiers, mining boom in its history. For these reasons, it is crucial to understand exactly what the contours of the subsequent debate

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[4] W. Swan, *Media Release No. 036*, *Australia's Future Tax System*, The Treasury, Australian Government, 2008, viewed 29/4/2015, http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2008/036.htm&pageID=003&min=wms&Year=2008&DocType=0

[5] G. Bailey et al, *The Economic Impact of the Current Mining Boom on the Australian Tourism Industry,* Tourism Research Australia, Canberra, 2013, p. 3.

around resource-rent taxation were and what political and economic forces underpinned them.

A point of departure is the definition of economic rent adopted by the Henry review. The final submission to the Treasurer in 2009 used the following definition:

> An economic rent is the excess of the return to a factor of production above the amount that is required to sustain the current use of the factor (or to entice the use of the factor). For example, if a worker is paid $100,000 but would still be willing to work at the same job if they were paid $75,000, their economic rent would be $25,000.[6]

It is obvious from this simple and abstract definition that the point of understanding the concept of rent is to keep a factor of production in use or to what it will take to bring it into use. When this definition is applied to considerations of mineral resource taxation, the factor of production in question is land. Or, more specifically, the minerals embedded within the land. Rent, in this context, is viewed as an allocative mechanism that determines patterns of investment within the sphere of mineral production. The 'excess', or economic rent, becomes the object of analysis with regards to political and economic inquiry. Thus the problem of resource rents and how and who should appropriate them is limited by the definition of rent as an allocative mechanism which then determines the use of a factor of production. The subsequent scope of all policy debate that follows from this economic argument is limited by the binary consideration, to use, or not to use, the land.

[6] *Op cit,* Henry et al., *Australia's Future Tax System: Report to the Treasurer,* 2009, p. 737.

How was this definition of rent derived and what are the political and historical dimensions of its apparently ubiquitous validity? The luminaries of this field of economic inquiry are Ross Garnaut and Anthony Clunies-Ross.[7] Garnaut has been referred to in recent times as the 'father of rent tax in Australia'.[8] His role in informing state policy also extends to publishing a series of reports commissioned by the Federal government in his capacity as an 'eminent neoclassical economist' on the issue of 'climate change [where he] recognises the need for investment in the transition to a low carbon emissions economy'.[9] Garnaut's work in the field of mineral resource taxation is world-renowned and has informed the taxation regimes of successive Australian governments since the first post-War mining boom which ended in the mid-1970s. As this work informs much of the contemporary literature, it serves as an appropriate point of departure for a critical engagement with contemporary orthodox rent theory.

Garnaut published a paper in the *Australian Economic Review* in December 2010 entitled 'Principles and Practices of Resource Rent Taxation'. The paper was a timely intervention considering that the RSPT, which had been generally informed by the Henry review, was replaced by the MRRT after Julia Gillard became PM in June that year. It is instructive to note Garnaut's definition of economic rent in the paper as 'the revenue derived from some activity minus the sum of the supply prices of all capital, labour and other "sacrificial" inputs

[7] The following volume by these authors is still considered the authoritative text on mineral resource taxation: R. Garnaut and A. Clunies-Ross, *The Taxation of Mineral Rents,* Clarendon Press, New York, 1983.
[8] J. Passant, 'The Minerals Resource Rent Tax: The Australian Labor Party and the Continuity of Change', *Accounting Research Journal,* Vol. 24, No. 1, 2014, p. 19.
[9] J. Courvisanos, *Cycles, Crises and Innovation: Path to Sustainable Development - A Kaleckian-Schumpeterian Synthesis,* Cheltenham, UK, Edward-Elgar, 2012, p. 195.

necessary to undertake the activity'.[10] While couched in more technical terms, the definition is fundamentally the same as that provided in the Henry review. The objective of defining rent relates specifically and solely to the conditions needed to 'undertake the activity', which in this case is mining. Garnaut proceeded to argue that the current arrangements regarding taxation of non-renewable mineral resources are insufficient from the standpoint of government revenue maximisation. The stated aim of any mineral-rent taxation regime is 'neutrality'. That is, the contract between the owner of the minerals (the state) and the private entity (the mining firm) must be mutually beneficial and, more importantly, not provide a disincentive to invest. To this end, taxation of economic rents provides a potentially effective means to meet this ideal of neutral taxation.

Garnaut posits two reasons why governments are expected to seek to extract economic rent as revenue: 'it has a lower economic cost than other forms of taxation; and it represents the value of public property that is being transferred to private ownership'.[11] The discussion then goes on to outline the six main forms of mineral rent taxation available to governments and argues that a combination of three of these instruments should be utilised in the Australian context to achieve 'neutrality' and an optimal rate of resource depletion. Garnaut's proposal is essentially for a resource rent tax (RRT) modelled on the existing Petroleum Resource Rent Tax (PRRT), supplemented by a Flat Fee (FF)

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[10] R. Garnaut, 'Principles and Practices of Resource Rent Taxation', *Australian Economic Review,* vol. 43, no. 4, December 2010, p. 347.
[11] *Ibid,* p. 348.

exacted at the point of allocation of an exploration licence and the introduction of a Brown Tax (BT) during the exploration phase to offset exploration expenditure against the RRT in order to mitigate the disincentive to investing in future exploration activities.[12] Such a regime, according to Garnaut, would 'secure neutrality' at the production stage, 'generate an approximation of neutrality' at stages of new mine development and Brownfields expansion or mine life extension and 'secure full utilisation of economically valuable resources'.[13]

The problem with this definition of rent is that it is drawn from a theoretical approach that is broadly ahistorical and claims universal applicability. This definition of rent is constrained to problems of optimal efficiency within limited and given parameters. These assumptions are static and therefore falsified with the passage of time and the development of productive forces. For example, the discovery of new deposits, the application of more productive extraction techniques or the fluctuation of commodity prices are taken as exogenous forces to be incorporated into this allocative model rather than endogenous characteristics flowing from the exploitation of the land itself. Any taxation regime formulated on the assumption that rent is simply an allocative mechanism determining the use of land must necessarily be reactive to conditions, which are not technically given but are, in fact, determined by the parties with which the taxation authority is engaged in an antagonistic economic relationship i.e. the state *vis-à-vis* mining firms. If it is acknowledged

[12] *Ibid,* p. 355.
[13] *Ibid,* p. 355.

that appropriation of rents is mediated through a political process, that is, influenced by power relations, this situation does not bode well for the ability of states to appropriate their 'fair' share. In essence, through assuming equal bargaining positions in theory, inequality of power relations is justified in practice. Leaving considerations of equity aside, there is an economic argument to be made regarding appropriation of mineral-rents by the institution entitled to it so as to facilitate optimal efficiency in the exploitation of mineral resources.

The research gap is evident when the various citations of Garnaut's paper are taken into account. His 2010 publication on resource rent taxation is cited by eleven scholarly sources and scrutinised by none. A brief review of these articles demonstrates the seemingly unanimous acceptance of Garnaut's conception of mineral-rents. John Freebairn, in his economic case against the establishment of a sovereign wealth fund to stabilise currency price fluctuations, refers to the Garnaut paper as one of the various contributions to the 'extensive literature on the relative merits of different forms of special taxation of natural resources in fixed geographic supply', arising from the Henry review and concerned with specific reform options for taxing the Australian mining sector.[14] There is no need to discuss Garnaut's claims any further because Freebairn employs the same theoretical understanding of mineral-rents; 'Well endowed mines with low costs earn relatively large rents, while marginal mines with costs close to the market price earn a zero rent'.[15] That is,

[14] J. Freebairn, 'Mining Booms and Government Budgets', *The Australian Journal of Agricultural and Resource Economics,* Vol. 56, p. 210.
[15] *Ibid,* p. 204.

mineral rents are of a purely differential nature, reflecting the productivity of the mine in relation to the current market price of the commodity. Garnaut employs the same logic when he states that 'mineral deposits will be developed sequentially, with the higher quality deposits – those with greatest rent value per unit of production – going first'.[16] On face value, it seems misguided to take this theory to task. It is, of course, correct in suggesting that the marginal mines with high costs generate less profit than well-endowed mines with low production costs. This much is obvious. But stating the obvious does not amount to analysis. If the theory of rent is to serve any purpose, it needs to be analytically useful and contribute to solving social problems.

Boulus and Dowding, in their 2014 analysis of how media coverage framed the debate around the RSPT, cite Garnaut in a descriptive account of the proposals contained in the final report of the Henry review. The government proposed, according to Boulus and Dowding, to use the 'revenue raised by the tax to implement corporate tax cuts, increase the superannuation guarantee and boost infrastructure construction in the mining states'.[17] This observation was attributed to Garnaut although it is difficult to ascertain exactly how and where Garnaut made such an insight considering the only mention of superannuation in his article relates to the established principle of past income not being affected by current changes in taxation as has been demonstrated in the cases of

[16] *Op cit,* Garnaut, 'Principles and Practices of Resource Rent Taxation', 2010, p. 354.
[17] P. Boulus and K. Dowding, 'The Press and Issue Framing in the Australian Mining Tax Debate', *Australian Journal of Political Science,* Vol. 49, No. 4, 2014, p. 696.

'the taxation of superannuation lump sums and of capital gains, and changes in corporate and individual income tax rates'.[18]

Following this article, a citation of the Garnaut piece appears in a 2013 sustainability study of the Italian aggregates industry. Here Mazzanti and Zoboli evaluate the prospects of combining environmental taxes and environmental planning policies to address issues arising from the extraction of sand, gravel and crushed rocks in the Lombardy and Emilia-Romagna regions in northern Italy. They conclude that while taxes are important, 'they need to be integrated within a complementarity framework with other instruments' because 'the matter is more one of capturing and managing the rents society owns from a collective natural resource, and reinvesting such rents'…'rather than using prices to internalise externality in a conventional fashion'.[19] While their conclusion is certainly relevant to the Australian context, their unqualified use of the Garnaut article is symptomatic of the broader methodology identified above. Again, Garnaut's article is cited along with various other 'recent papers on resource taxation issues [which] have appeared on the most *consolidated* theoretical side'.[20] To use the word consolidated implies that the theory has somehow been improved, evolved or become a *theorem*. It is doubtful any concept employed to explain dynamic social realities could ever meet such a standard. This is more than a semantic criticism when it is considered that the

[18] *Op cit,* Garnaut, 'Principles and Practice of Resource Rent Taxation', 2010, p. 352.
[19] M. Mazzanti and R. Zoboli, 'Resource Taxation and Regional Planning: Revenue Recycling for Local Sustainability in the Aggreggates Sector', *Journal of Environmental Planning and Management,* Vol. 56, No. 6, 2013, p. 913. Emphasis and brackets added.
[20] *Ibid,* p. 895.

theory of mineral-rents has been uncritically accepted in its current tautological form. Perhaps the most important insight offered by Mazzanti and Zoboli for the current discussion, notwithstanding insights gleaned from their empirical research, relates to the claim that their study 'is coherent with a "political economy" approach, where the analysis of externality generated by extraction (of water, soil, minerals) and related rents cannot be disjointed from issues such as (land) rent capture and the reinvestment of rents'.[21] Locating the problem of mineral-rents within the broader issues of *how* rather than simply *if* land should be used prompts consideration of the material conditions determining the social relations manifest in the economic form of mineral-rents.

Chen and Randall offer an economic analysis of the contest between coal seam gas operations and agriculture on prime farmland in the Darling Downs region in southern Queensland. Garnaut's work is cited as one of the various accounts that discuss economic considerations of designing mineral resource rent taxes that meet the economic sustainability condition set out by Solow and Hartwick in 1974 and 1977 respectively.[22] The study finds that 'the long-term economic net benefits from agriculture-only exceed those from CSG-only and CSG-agriculture coexistence cases'.[23] Moreover, it is argued that 'the Australian national interest depends on how much of the CSG rents (i.e. the economic value of resources depleted) are retained in the country' as 'it is well

[21] *Ibid,* p. 896.
[22] C. Chen and A. Randall, 'The Economic Contest between Coal Seam Gas Mining and Agriculture on Prime Farmland: It May be Closer than we Thought', *Journal of Economic and Social Policy,* Vol. 15, No. 3, 2013, p. 24.
[23] *Ibid,* p. 27.

known that an exhaustible-resource-extracting country can achieve economic sustainability only if all of the rents from resources depleted are reinvested in productive capital'.[24]

This remark, along with the study more generally, follows uncritically the work of Solow (1974) and Hartwick (1977) on the notion of sustainable development. This concept generated much debate throughout the 1980s and came to prominence when it formed the theoretical basis for an initiative to come out of the United Nations Conference on Economic Development (UNCED) held in 1992 in Rio de Janeiro entitled 'Agenda 21'.[25] In general terms, sustainable development relates to the ability to exhaust a non-renewable resource at the same rate of investment in a substitutable renewable resource. Or, for a more technical account which incorporates 'Hartwick's rule', 'If labour and constructed capital are fully employed, if the conditions of intertemporal efficiency are met, and if the economy invests in reproducible capital at each instant the exact amount (value) by which the non-renewable capital stock is being diminished, then society will just be able to maintain a constant stream of consumption into the infinite future'.[26] The issues here are that first, Chen and Randall, like the other scholarly sources cited previously, accept Garnaut's hypothesis uncritically, and second, that 'sustainable development' is perceived as the unquestioned policy goal. As one critic of the discourse suggests, 'For the

[24] *Ibid,* p. 26.

[25] W. Beckerman, '"Sustainable Development": Is it a Useful Concept?', *Environmental Values,* Vol. 3, No. 3, 1994, p. 192.

[26] D.W. Bromley, 'Sustainability', in S.N. Durlauf and L.E. Blume (Eds.), *The New Palgrave Dictionary of Economics, Second Edition., Online,* Palgrave Macmillan, 2008, viewed 8/7/15, http://www.dictionaryofeconomics.com/article?id=pde2008_S000482>
doi:10.1057/9780230226203.1656

concept of sustainability in the process of development to be operationally useful it must be more than just an expression of social values or political preferences disguised in technical language'.[27] Indeed, the concept of mineral-rent must itself be more than a sterile technical category to be mobilised in the service of justifying agendas like 'sustainable development'.

Zhang's 2014 study of energy prices and resource tax reform in China refers to Garnaut as representative of the 'current economic theory' and argues that while a RRT may be ideal, the difficulties involved in measuring production costs means taxes levied on revenues are a more attractive option for governments.[28] This is perhaps more critical of Garnaut's proposals than the rest of the literature but it still does not engage with any underlying conceptual definitions. Similarly, Obeng-Odoom, in his 2014 study of urban property taxation in the oil twin-city of Sekondi-Takoradi in Ghana, refers to Garnaut only in passing to demonstrate the existence of a growing literature concerned with 'rent research'.[29] Whereas, Gago gives a more specific characterisation of Garnaut's work in their 2014 'panorama on energy and green tax reforms', listing it as belonging to the scholarship coming from an 'optimal tax approach' concerned with 'taxes levied on natural resources'.[30] In each case, as with the entire sample of articles, Garnaut's definition of rent was uncritically accepted

[27] H. Brooks, 'Sustainability and Technology', in International Institute for Applied Systems Analysis (ed.), *Science and Sustainability: Conference Proceedings,* International Institute for Applied Systems Analysis, Laxenburg, Austria, 1992, p. 30.
[28] Z.X. Zhang, 'Energy Prices, Subsidies and Resource Tax Reform in China', *Asia & the Pacific Policy Studies,* Vol. 1, No. 3, p. 449.
[29] F. Obeng-Odoom, 'Urban Property Taxation, Revenue Generation and Redistribution in a Frontier Oil City', *Cities,* Vol. 36, 2014, p. 59.
[30] A. Gago, X. Labandeira and X.L. Otero, 'A Panorama on Energy Taxes and Green Tax Reforms', *Hacienda Pública Española,* Vol. 208, No. 1, 2014, p. 3.

and so too, therefore, were the subsequent methodological constraints embedded within it.

This is not to say that each article within this sample, by virtue of its reference to Garnaut's work, is somehow flawed. The point of this exercise was to demonstrate how pervasive and unquestioned the conception of rent employed by Garnaut in his paper is within the contemporary period. Indeed, the papers discussed above employ contending methodologies and provide intersectional analyses across various disciplines. However, when it comes to the issue of mineral-rents, the debate has seemingly been settled in favour of a concept firmly grounded within the Neoclassical tradition in economics. This theory of rent is ahistorical, relies upon unrealistic assumptions and is imbued with political bias by virtue of the fact it assumes equitable bargaining positions between unequal parties. That it remains undeveloped indicates it is either appropriate for the task of explaining the material conditions of mineral resource depletion or that the methodology underpinning it is unable to develop it further. Given the various questions and problems surrounding the issue of appropriating mineral-rents in the contemporary Australian context, it seems the latter option deserves consideration. As such, the discussion will now turn to alternative approaches to understanding mineral-rents and their underlying methodologies.

Beyond Australia's 'Resource Curse'?

The link between the 'resource-curse' hypothesis and mineral-rents is one of contingent and reflexive causation. In a statement of the obvious, Davis and Tilton note that 'where the extraction costs for a mineral commodity are less than its market price, mining generates an economic rent'.[31] This much is certain but this does not necessarily mean that countries with substantial mineral endowments reap the benefits of the mineral-rents generated through the extraction of their mineral commodities. Much of the 'resource-curse' literature consists of contributions from 'a growing number of scholars [who] have reported a negative association between mining on the one hand and a host of different indicators of economic development on the other'.[32] Indeed, it is evident that since the 1970s economies reliant upon mineral extraction demonstrate lower growth rates and exhibit higher levels of poverty and corruption after controlling for GDP per capita.[33]

This section argues that a clearer understanding of the class relations underpinning mineral-rents will dispel the fallacious notion of a 'resource-curse'/'resource-blessing' dichotomy. A 'resource-curse' exists when a state is *unable* to capture mineral-rents. The rents are still there but the ability to capture them is what is at stake. This implies a question of class power. The

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[31] G.A. Davis and J. E. Tilton, 'The Resource Curse', *Natural Resources Forum,* Vol. 29, 2005, p. 233.
[32] *Ibid,* p. 233.
[33] P. Stevens, 'Resource Impact: Curse or Blessing? A Literature Review', *Journal of Energy Literature,* Vol. 9, No. 1, p. 5.

issues are inextricably linked and must be taken together for any meaningful resolution to be reached beyond this redundant binary conception. Mineral endowments are not altogether 'natural'. Reserves have to be found, proven and then extracted. The economic value of a mineral deposit is directly linked to the ability to mobilise capital in its extraction, processing and distribution. In this sense, the 'resource-curse' has as much to do with access to minerals, as it has to do with access to capital. Access to capital depends upon the social relation between landed property and capital. That is, the resource-curse is inextricably linked to the social relation underpinning mineral-rents.

Prior to the introduction of his *Political Economy of the Resource Curse,* Michael Ross cites three famous quotations to punctuate the significance of his study:

> It is the devil's excrement. We are drowning in the devil's excrement.
> *Juan Pablo Pérez Alfonso,* Founder OPEC
>
> We are in part to blame, but this is the curse of being born with a copper spoon in our mouths.
> *Kenneth Kaunda,* President of Zambia
>
> All in all, I wish we had discovered water.
> *Sheik Ahmed Yamani,* Oil minister, Saudi Arabia[34]

Scholars of resource economics have long used these well-known statements of lament to either endorse or critique the notion of a 'resource-curse'. It is often accepted that because those who lived through the experience of poor economic outcomes due to resource endowments attest to such fates, there must be a causative linkage. This is to mistake correlation for causation and to ignore the historical contingency of these outcomes. It is unlikely any President of the USA has ever uttered regret at having an abundance of oil, arable land or minerals. It

[34] M. Ross, 'The Political Economy of the Resource Curse', *World Politics*, No. 51, 1999, p. 297.

has long been argued that abundant natural endowments may have a direct causal relationship to detrimental economic outcomes. As Ross states, the central question this scholarship seeks to answer is: 'How does a state's natural- resource wealth influence its economic development?'[35]

This phenomenon has been dubbed the 'resource-curse' and has found expression, it has been argued, in several countries at various historical conjunctures. The most notable of these in recent history have been the oil-rich nations of the Middle East and the mineral-rich nations of South America. The hypothesis underlying this so-called curse argues that, contrary to orthodox theories of comparative advantage, being endowed with abundant natural resources in fact leads to lower economic growth and development over time. The key mechanisms that facilitate this 'curse' are associated with the deterioration of terms of trade owing to the long-run decline of primary commodity prices relative to the price of manufactured goods. [36] The appreciation of the exchange rate as a consequence of mineral booms is also noted in the literature as a primary vehicle for creating a 'resource curse' situation.[37]

This empirical outcome contradicts contemporary liberal trade theory. Broadly speaking, this approach argues that countries should exploit their factor

[35] *Ibid,* p. 297.
[36] See R. Prebisch, 'The Economic Development of Latin America and its Principal Problems', *Economic Bulletin for Latin America,* Vol. 7, 1950, pp. 1-12. and H.W. Singer, 'The Distribution of Gains Between Investing and Borrowing Countries', *American Economic Review, Papers and Proceedings,* Vol. 40, 1950, pp. 473-485.
[37] R.G. Gregory, 'Some Implications of the Growth of the Mineral Sector', *Australian Journal of Agricultural Economics,* Vol. 20, pp. 71-91.

endowments intensively in order to optimise the gains from so-called 'free' trade. This theory claims to build upon Adam Smith's theory of absolute advantage and David Ricardo's theory of comparative advantage. Smith's theory of international trade proceeded from his observing the 'human propensity to truck, barter and exchange one thing for another' which derived from either 'those original principles in human nature' or from the 'necessary consequence of the faculties of reason and speech'.[38] The theory of absolute advantage posits that 'a country has an absolute advantage in the production of good *x* if it costs fewer resources to produce a unit of *x* in that country than abroad'.[39] Smith's theory of trade, its role in facilitating economic development and the increasing division of labour were inextricably linked.[40]

The normative prescriptions that flow on from this theory make the case for free trade based on the gains to be sought from an increasing division of labour and were posed as a reaction against the prevailing Mercantilist thinking and autarkic policy. Ricardo's development of absolute advantage suggested that 'a country has a comparative advantage in the production of a good *x* if the opportunity cost of producing a unit of *x,* in terms of other goods foregone, is

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[38] A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations, Volume I,* London, Strahan and Cadell, 1776, p. 25., in R.H. Campbell and A.S. Skinner (eds.), *The Glasgow Edition of the Works and Correspondence of Adam Smith, Volume 2,* Oxford, Oxford University Press, 1976.
[39] A.J. Venables, 'International Trade', in M. Macintosh, V. Brown, N. Costello, G. Dawson, G. Thompson and A. Trigg (eds.), *Economics and Changing Economics,* Milton Keynes, Open University, 1996, p. 431.
For an interesting perspective on the misinterpretation of Smith's original dynamic trade theory and its incorporation into Neoclassical static trade theory, see R. Schumacher, 'Adam Smith's Theory of Absolute Advantage and the Use of Doxography in the History of Economics', *Erasmus Journal for Philosophy and Economics,* Vol. 5, No. 2, Autumn 2012, pp. 54-80.
[40] H. Myint, 'Adam Smith's Theory of International Trade in the Perspective of Economic Development', *Economica,* Vol. 44, No. 175, 1977, p. 233.

lower in that country than abroad'.[41] This meant that all countries have a comparative advantage in the production of some goods because the advantage was pegged to opportunity cost rather than absolute productivity. It is this notion of comparative advantage that has become the cornerstone of contemporary liberal trade theory.

Two further developments of Smith and Ricardo's work are worthy of note in relation to what the 'resource-curse' hypothesis seemingly contradicts. The Hekscher-Olin theorem, or factor proportions model, builds upon the theory of comparative advantage by incorporating two observations relating to factor endowments and factor intensities. Eli Heckscher and Bertil Ohlin sought to understand the relation between the factor endowments of a given economy and its subsequent comparative advantage.[42] The model entails three important predictions: 'countries have a comparative advantage in (and hence will export) goods that are produced through the intensive use of factors of production with which they are relatively well endowed'; the 'gainers and losers' from trade within each economy can be identified; 'trade will tend to bring about the convergence of factor prices across countries'.[43]

The conclusion reached in applying the H-O model dictates that trade is 'substantially driven by differences in countries' resources and the concomitant

[41] *Op cit,* Venables, 'International Trade', 1996, p. 431.

[42] See E. Heckscher, 'The Effect of Foreign Trade on the Distribution of Income', *Ekonomisk Tidskriff,* 1919, pp. 497-512., translated in American Economics Association, *Readings in the Theory of International Trade,* Philadelphia, Blakiston, 1949, pp. 272-300; and B. Ohlin, *Interregional and International Trade,* Cambridge, Harvard University Press, 1933.

[43] *Op cit,* Venables, 'International Trade', 1996, p. 435.

different intensities with which they use them'.[44] The logical progression of this line of reasoning would suggest that intensifying the exploitation of a country's factor endowment would result in optimal gains from trade. Thus, a mineral-endowed economy would, given the assumptions of the theory of comparative advantage hold, gain from intensively exploiting mineral resources relative to the production of commodities utilising factors of production with which they are relatively less well-endowed.

This conclusion is extended by the Stolper-Samuelson theorem that argues free trade benefits locally abundant factors of production and harms scarce ones.[45] Stolper and Samuelson's study of protection and its effects on real wages in 1941 argued that 'protection benefits (and liberalization of trade harms) owners of factors in which, relative to the rest of the world, that society is *poorly* endowed, as well as producers that use that scarce factor intensively'; while 'protection harms (and liberalizaton benefits) those factors that - again, relative to the rest of the world - the given society holds *abundantly,* and the producers who use those locally abundant factors intensively'.[46] Both the S-S and H-O models would seem to advocate the intensive exploitation of mineral endowments as a means to optimise comparative advantage.

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[44] B. Dunn, *Neither Free Trade Nor Protection,* Cheltenham, Edward Elgar, 2015, p. 123.

[45] See W. Stolper and P.A. Samuelson, 'Protection and Real Wages', *Review of Economic Studies,* Vol. 9, No. 1, 1941, pp. 58-73.

[46] R. Rogowski, 'Commerce and Coalitions: How Trade Affects Domestic Political Alignments', in J.A. Frieden, D.A. Lake and J.L. Broz (eds.), *Political Economy: Perspectives on Global Power and Wealth, 5th Edition,* New York, W.W. Norton & Co., 2010, p. 365.

Taken together with Smith and Ricardo's contributions to trade theory, these arguments form the basis of the prevailing consensus regarding approaches to economic development for countries with mineral endowments. The results of empirical studies since the 1970s have cast significant doubt upon these hypotheses. Two notable examples are the Leontief paradox and the Prebisch-Singer hypothesis. These findings, along with accounts documenting the inability of mineral-exporting countries to achieve economic development, have fuelled the expansion of 'resource-curse' literature since that period. The discussion will now turn to the dominant explanations for the 'resource-curse'.

The problem that the 'resource curse' hypothesis posed to the orthodox line of economic reasoning was why exactly countries which were well endowed with natural resources and exploited them intensively registered declining rates of growth and deteriorating economic outcomes over time. Such a result was registered in the OPEC countries from the 1970s and also in the so-called 'peripheral' economies of Latin America from the same period. The proclamation of a New World Economic Order, heralded from 1974 by the UN, argued that there was an emerging shift in the balance of economic power globally, suggesting that the global South, through its endowment of natural resources, would supersede the global North. Clearly, this was not the case. Four prominent economic explanations for the 'resource-curse' were put forward in response: 'a decline in the terms of trade for primary commodities, the instability of international commodity markets, the poor economic linkages between resource and nonresource sectors, and an ailment commonly known as the "Dutch Disease"'.[47]

Each of these finds expression in specific historical conjunctures across various geographical locations. While there is no scope in the present discussion to explore these contested explanations thoroughly, it is instructive to briefly note the specificities of each argument. A decline in the terms of trade for primary commodities was first theorised and empirically substantiated by Raul Prebisch and Hans Singer in the context of Latin America in 1950.[48] They argued that prices of primary commodities would decline over time relative to the price of manufactured commodities. This effectively meant that economies reliant upon the export of primary goods would not gain overall from the intensive exploitation of their factor endowments purely for export. The Prebisch-Singer hypothesis became the theoretical basis of the policy of Import-Substitution-Industrialisation whereby tariff walls were erected to facilitate the development of import-competing domestic industry.

Some scholars emphasise this approach as the theoretical basis of the Australian post-War economy within the context of a broader Keynesian framework of demand management.[49] Instability of international commodity

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[47] *Op. cit.,* Ross, 'The Political Economy of the Resource Curse', 1999, p. 298.
[48] *Op. cit.* Prebisch, 'The Economic Development of Latin America and its Principal Problems', 1950, pp. 1-12., and *Op. cit.* Singer, 'The Distribution of Gains Between Investing and Borrowing Countries', 1950, pp. 473-485.
[49] R.W. Connell, 'Moloch Mutates: Global Capitalism and the Evolution of the Australian Ruling Class 1977-2002', in Nathan Hollier (ed.), *Ruling Australia: The Power, Privilege & Politics of the New Ruling Class,* Australian Scholarly Publishing, Melbourne, 2004., and E. Jones, 'Was the Post-

markets has been well documented and explanations for why this is the case have been forwarded, most notably by people like Joan Robinson in her explication of imperfect competition and monopoly.[50] Bob Gregory built upon the work of Sir Ronald Wilson to demonstrate the linkage between resource and non-resource sectors in the Australian economy mediated by the exchange rate.[51] Gregory and Wilson figure prominently in a broader Australian contribution to international trade theory based loosely around the 'dependent economy' model, renamed the 'Salter-Swan-Corden-Dornbusch model in 1995.[52] Richard Auty figures most prominently in the development of a discourse around what has been termed the 'Dutch Disease'.[53]

This has left the debates surrounding the 'resource curse' hypothesis at somewhat of a stalemate. Proponents of the hypothesis argue that exploitative geo-politics and social relations of production within the exporting countries are to blame for the lack of development. More sophisticated analyses have put forward the argument that there are technical relationships between terms of trade and currency prices that vitiate the orthodox models of comparative

War Boom Keynesian?', *Working Papers,* Dept. of Economics, University of Sydney, No. 131, 1989, pp. 42-47.

50 J. Robinson, *Aspects of Development and Underdevelopment,* Cambridge, Cambridge University Press, 1979.

51 See *Op. cit.* Gregory, 'Some Implications of the Growth of the Mineral Sector', pp. 71-91., and R. Wilson, *Capital Imports and the Terms of Trade,* Melbourne, Melbourne University Press, 1931.

52 V. Corbo and S. Fisher, 'Structural Adjustment, Stabilisation and Policy Reforms: Domestic and International Finance' in Jerry Behrman and T. N. Srinivasan (eds.), *Handbook of Development Economics, Volume III*, Amsterdam, Elsevier, 1995, p. 2863.

53 See R.M. Auty, *Sustaining Development in Mineral Economies: The Resource Curse Thesis,* London, Routledge, 1993; R.M. Auty, 'Industrial Policy Reform in Six Large Newly Industrialised Countries: The Resource Curse Thesis', *World Development,* Vol. 22, No. 1, 1994, pp. 11-26; R.M. Auty, *Patterns of Development: Resources, Policy and Economic Growth,* London, Edward Arnold, 1994; R.M. Auty, 'The Political Economy of Resource-Driven Growth', *European Economic Review,* Vol. 45, No. 4, 2001, pp. 839-946.

advantage. In any case, owning abundant resources seemingly amounts to an economic curse. Detractors of the 'resource curse' argument claim that it is the management of the resources within the resource-rich countries that is the problem. The political element of this technically economic phenomenon is to blame. Corruption in Africa or extortion in Latin America is the cause of under-development. Comparative advantage would work if government simply got out of the way of the self-regulating market. These conflicting views inform the binary debates about the 'resource curse' today. Both approaches have redeeming qualities that are diminished by severe limitations.

The notion that a natural resource endowment is either good or bad for economic prosperity is misleading and simplistic. Both sides of the argument rest upon the assumption that resource endowments automatically produce economic outcomes. It is as if people and the social relations between them were not involved in mediating the processes of production that turn raw materials into useful and saleable commodities. Social processes mediate the conversion natural resources into economic outcomes so the solution to the riddle of resource endowments needs to be explained 'socially'. The attempt to understand the complex social relationships that both mitigate and facilitate the production of land-based commodities, often simultaneously, in conjunction with the myriad factors that affect economic growth, through a binary dualism, is pure folly.

The problem with the 'resource curse' hypothesis is that it implies there is some kind of 'resource blessing' on the other side. The truth of the matter in any circumstance is that abundant natural resources do not simply amount to either a curse/blessing dichotomy. The outcome is not technically given. Just as the production of land-based commodities is complex in nature, so are the social relationships that mediate this process. Therefore, a more nuanced and pragmatic approach to understanding the determinants of land-based commodity production must be formulated. The point of departure for such an initiative must be to transcend the binary resource curse/blessing hypothesis.

This work has already begun. One notable recent example is the work of Franklin Obeng-Odoom. His study of the oil twin-city of Sekondi-Takoradi in Ghana offers a point of departure for problematising the resource curse. According to Obeng-Odoom, the curse/blessing dichotomy cannot account for the complex nature of land-based commodity production in the case of oil in Ghana. His solution is to offer a synthesis of the ideas of Henry George, David Harvey, Hossein Mahdavy and Chibuzo Nwoke to form a heterodox rent approach focussed upon the urban setting.[54] This approach entails thinking about the outcomes of rents, their distribution and the dispossession caused by their accumulation. Another contribution to this critical scholarship is that of James Goodman and David Worth in relation to the Australian context. Their contribution has been noted above in the introduction to this thesis. These critical contributions to the debates surrounding the resource curse hypothesis prompt consideration of the severe analytical limitations of such a binary

[54] F. Obeng-Odoom, *Oiling the Urban Economy: Land, Labour, Capital and the State in Sekondi-Takoradi, Ghana,* New York, Routledge, 2014, p. 26.

conception of resource endowments. The question then becomes how can this impasse be resolved?

This chapter has argued that the orthodox theory of mineral-rents currently informing the majority of political and economic discourse on the subject of taxation of mineral industries is fundamentally flawed. The methodology underpinning mineral-rent theory does not permit the analysis of class relations and is therefore unable to explicate the social significations of the rental payment for access to minerals. The mineral-rents generated by mining are not a technically given outcome but rather, the result of a process mediated by social relations of production. Therefore, an understanding of this process must take into account the broader social structures which determine both the distributional element of mineral-rents as well as the effect this process has on broader patterns of capital accumulation. This linkage has been identified within the context of the discourse surrounding the 'resource-curse' hypothesis. It has been argued that this scholarship is limited by its binary conception of resource endowments and may be positively developed by incorporating 'access to, and control over, capital' as a mediating factor in conjunction with 'natural' resource endowments. The following chapter will examine the historical evolution of rent theory as a means to understand exactly how and why such limitations to the current theory of mineral-rents have arisen.

Part II

The Subsequent Case for a Theory of Landed Property Within the Capitalist Mode of Production

Chapter 3

The Development of Rent Theory in Historical Perspective

The history of rent theory is the history of the struggle to resolve a fundamental contradiction of the capitalist mode of production. Capital seeks to overcome all obstacles to its self-expansion. It therefore must seek to eradicate landed property because it is an unproductive institution, which poses a barrier to capital accumulation. However, capital simultaneously relies upon the system of private property in land to facilitate the social reproduction of capitalist relations of production. This contradiction has manifested in various historical conjunctures from the French bourgeois revolution of the late eighteenth century to the protracted struggle to implement the Corn Laws in the first half of the nineteenth century in the UK and in the struggle to tax mineral-rent in Australia during the last two mineral booms since 1945. The following discussion will examine the development of rent theory within the context of this fundamental and dynamic tension.

This examination is not a general historical survey of theories of economic rent. Many scholars have attended to that task.[1] The aim here is rather to identify aspects of the contemporary orthodox theory of mineral-rent as they relate to the contradiction posed by landed property in capitalism. These aspects of the

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[1] See for example: Chibuzo Nwoke, 'The Evolution of Rent Theory in the History of Economic Thought', *Graduate School of International Studies,* University of Denver, 1981; D.H. Buchanan, 'The Historical Approach to Rent and Price Theory', *Economica,* No. 26, June 1929, pp. 123-155; Csaba Deák, 'Rent Theory and the Price of Urban Land: Spatial Organisation in a Capitalist Economy', *Unpublished PhD Thesis,* Cambridge University, 1985.

modern theory were drawn from the contributions of the school of Physiocracy, the Classical school of political economy and then jointly from the Marginalist and Formalist schools. It is argued that each development of rent theory represented the growing dominance of capital *vis-à-vis* landed property. The fundamental contradiction of landed property in capitalism however is irreconcilable and this tension is what renders the current orthodox theory of mineral-rent ineffective in providing justification for political mobilisation against modern landed property and capital. It should be noted that while this discussion will proceed chronologically, there is no assumption that the development of rent theory was teleological.

Each contribution to rent theory examined here was constructed within a different 'paradigm'[2] or 'problematic'[3]. As Fine notes in relation to Buchanan's seminal paper on rent theory[4], 'Different theories utilise different concepts and theoretical frameworks as well as posing different questions, ones which may not be posed let alone be answerable within another theory'.[5] The aim here is merely to trace the trajectory of rent theory in relation to the development of landed property in capitalism.

[2] Thomas S. Kuhn, *The Structure of Scientific Revolutions, Second Edition,* University of Chicago Press, Chicago, 1970, pp. 10-23.

[3] As Althusser notes,
'Without a theory of the history of theoretical formations it would be impossible to grasp and indicate the specific difference that distinguishes two different theoretical formations. I thought it possible to borrow for this purpose the concept of a '*problematic'* from Jacques Martin to designate the particular unity of a theoretical formation and hence the location to be assigned to this specific difference, and the concept of an *'epistemological break'* from Gaston Bachelard to designate the mutation in the theoretical problematic contemporary with the foundation of a scientific discipline.'
L. Althusser, *For Marx,* Penguin, London, 1969, p. 32.

[4] *Op. cit.,* Buchanan, 'The Historical Approach to Rent and Price Theory', June 1929, pp. 123-155.

[5] B. Fine, 'The Historical Approach to Rent and Price Theory Reconsidered', *Australian Economic Papers,* Vol. 22, No. 4, 1983, p. 133.

The discussion is organized into three sub-sections that examine the contributions to rent theory of the Physiocrats, the Classical political economists and the Marginalists and Formalists in turn. A final sub-section will elaborate concluding remarks which reiterate the central claim that the contemporary theory of mineral-rent is flawed because of its erroneous conceptualisation of modern landed property.

Physiocracy and the Emergence of Capitalist Landed Property

The Physiocrats constituted one important contribution to what would later emerge as the discipline of Classical political economy. Their stated aim was to 'attain to the greatest degree of prosperity possible for the society' in accordance with the 'general laws of the natural order'.[6] This initiative led the Physiocrats to inquire as to the origins of value, its distribution in practice and the consequences of these movements. The outcomes of these investigations were seminal contributions to an evolving social science. The French scholars that comprised the school of Physiocracy can be grouped together, for the purposes of the current study, with the British scholars William Petty, John Locke, Dudley North, John Law, James Steuart, David Hume and Richard Cantillon. The English and French traditions of political economy contained within the writings of these contributors would find unity in the writings of Adam Smith to form the foundation of Classical political economy.[7]

The common threads uniting these various bodies of economic thought were primarily the shift of focus from the sphere of exchange which underpinned Mercantilist thought to that of production and the primacy of land as the driver of economic activity and as the source of value. There is not the scope or need within the current study to discuss the contribution of the aforementioned English political economists to the theory of rent so, for the sake of brevity, their

[6] F. Quesnay, 'General Maxims for the Economic Government of an Agricultural Kingdom', in R.L. Meek, *The Economics of Physiocracy: Essays and Translations,* Cambridge, Harvard University Press, 1963 (1766), p. 231.
[7] E. Roll, *A History of Economic Thought, Fifth Edition,* Faber and Faber, London, 1992, p. 111.

conceptualisation of rent will be taken together with the Physiocratic theory. The Physiocratic theory of rent is discussed as a means to understand the epistemological shift evident in economic theories attempting to grasp the disintegration of feudal social relations and the emergence of the capitalist mode of production. Therefore, the theories of the French economists as representative of the dominant conceptualisation of rent of the time will suffice. The discussion will now turn to the concept of rent as per the school of 'Physiocracy'.

The key theorists of the school of Physiocracy were François Quesnay and Anne-Robert-Jacques Turgot. Quesnay was an eminent surgeon in France and personal physician to Madame de Pompadour, the official Chief Mistress of King Louis XV. His skillful use of the systems of patronage of his time saw Quesnay elevated to an influential position within the court of Louis XV from which his economic theories came to dominate the French tradition of economics.[8] The publication of Quesnay's *Tableau Économique* in 1758 laid the foundation for the body of economic thought collectively known as Physiocracy. The etymology of this term can be traced to the Greek terms *physis,* meaning nature, and *kratein,* to rule. The substance of this line of economic reasoning is reiterated in Turgot's *Réflexions sur la Formation et la Distribution des Richesses,* where he wrote that the earth 'is always the first and only source of all wealth; it is that which as the result of cultivation produces all the revenue; it is that also which

[8] C. Théré and L. Charles, 'François Quesnay: A "Rural Socrates" in Versailles?', *History of Political Economy,* Vol. 39, No. 1, 2007, p. 212.

has provided the first fund of advances prior to all cultivation'.[9] Both Quesnay's and Turgot's writing informed the broad school of thought derived from the principle that land, or nature, was the source of value.[10]

The Physiocratic theory of value meant that rent played a significant part in their system of political economy. This school of thought has been credited with affecting a pivotal shift within economic thought that helped craft the conditions for the French bourgeois revolution.[11] The epistemological shift facilitated by Physiocracy was the movement from the sphere of exchange to the sphere of production as the focus of economic inquiry. Whereas the Mercantilists thought that value was produced through the exchange of commodities, the Physiocrats along with their English counterparts, considered value as derived from the process of material production. In so doing, the Physiocrats contributed to laying the foundations for an analysis of the capitalist mode of production.[12]

The primary limitation of economic theory of their time was the underdeveloped concept of exchange-value. This meant that use-value was the only perceived form of value, which therefore obscured the relation of value production in industry outside of agriculture. From the perspective of use-value,

[9] A.R.J. Turgot, *Reflections on the Formation and Distribution of Riches,* New York, Macmillan, 1898 (1770), p. 46.

[10] *Op. cit.* F. Quesnay, 'General Maxims for the Economic Government of an Agricultural Kingdom', 1963 (1766), p. 232.
'the land is the unique source of wealth'

[11] A. Orain, 'Figures of Mockery: The Cultural Disqualification of Physiocracy (1760-1790)', *The European Journal of the History of Economic Thought,* Vol. 22, No. 3, 2015, p. 384.

[12] *Op cit,* Marx, *Theories of Surplus Value, Vol. I,* 2000, p. 45.
'The Physiocrats transferred the inquiry into the origin of surplus-value from the sphere of circulation into the sphere of direct production, and thereby laid the foundation for the analysis of capitalist production'

it is most easily discernible in agriculture that the labourer produces a surplus by virtue of consuming less agricultural product than they produce. The production of a surplus in manufacturing is mediated by processes of exchange and therefore requires a theory of exchange-value. The Physiocrats, equipped with only rudimentary conceptions of exchange-value could only perceive the creation of a surplus within the sphere of production where the production of use-value beyond the means of subsistence is most clearly evident.

Therefore, in their estimation, 'agricultural labour is the only *productive labour,* because it is the only labour that *produces* a *surplus-value,* and *rent* is the *only form of surplus-value'*. [13] This conception of value had two important implications: landed property by virtue of its rent-appropriating function was the most powerful class in society; however, landed property was an unproductive, or sterile, social class. It is this insight that provides the basis for both the construction of a labour theory of value and also of the political campaign against the sterile class of landed proprietors, which represented the vestiges of feudal social relations of production. The material effect of the economic theories of the Physiocrats was to open a line of critique against landed property, which had the important result of legitimising further the social function of capital. As Roll notes, 'in retrospect the Physiocrats must be given a high place among those who prepared the ground for the French Revolution'.[14]

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[13] *Ibid*, p. 46.
[14] *Op cit,* Roll, *History of Economic Thought,* 1992, p. 120.

There were various material factors that compelled the Physiocrats to investigate the determinants of economic activity and their implications for French society. Among the most important were the relative backwardness of French manufacturing relative to English industry and the retarded development of agriculture due to the constraints imposed by feudal relations of production. Agricultural production was characterised by intensive exploitation of the peasantry and sharecropping by absentee landlords. This situation was aggravated by the imposition of various taxes, such as a grain export tax, which were used to fund a series of 'disastrous wars' and the 'extravagance of the Court'.[15] In conjunction, 'revolts had become chronic' among the peasantry.[16] These pressing issues forced the Physiocrats to confront the economic problems posed by the emergence of dominant capitalist relations of production within the context of the disintegration of the feudal social relations.

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[15] R.L. Meek, *The Economics of Physiocracy: Essays and Translations,* Cambridge, Harvard University Press, 1963, p. 25.
[16] N.J. Ware, 'The Physiocrats: A Study in Economic Rationalization', *American Economic Review,* Vol. 21, No. 4, p. 613.

Classical Political Economy and the Industrial Bourgeoisie

The theory of rent developed by the Physiocrats followed logically from their theory of value, which credited nature as its source. The epistemological shift affected by the Classical school of political economy was to identify labour, rather than land, as the source and, consequently, the measure of value. The material development within the emerging capitalist mode of production that prompted this theoretical advance was the increasing rate of the self-expansion of capital. As capital came to penetrate further the sphere of agriculture, the social division of labour, whereby capitalist tenant farmers would employ labour and capital upon land leased from the class of landed proprietors, became the generalised form of agricultural commodity production. This new social relation of production gave rise to pressing political problems such as the rising price of agricultural goods in the face of new pressures driving increases in demand. While the Physiocrats had opened a line of theoretical inquiry that questioned the social utility of what they called the 'sterile class', the Classical political economists pursued with rigour the theoretical justification for eroding the economic and political power of the landed interest in favour of the emergent industrial bourgeoisie.

The self-expansion of capital throughout the period of what is generally referred to as the industrial revolution confronted a barrier in the form of the system of land ownership in the UK. The social demand for agricultural goods necessitated a reorganisation, or, rather, rationalisation, of agricultural production. Large scale manufacturing like the sort that emerged at this time in places like Manchester required a large class of waged-labour. This new class of industrial proletariat, working under new and dynamic production processes, affected the demand conditions for agricultural commodities to the point that class antagonisms inherent to the organisation of agricultural industry became critical political issues.

This process of rationalisation required the removal of the barrier, which landed property represented, to the flow of capital onto land. The historical manifestation of this confrontation was the class struggle underwriting the debates around the Corn Laws. The Physiocrats bore witness to pivotal stages of the emergence of the capitalist mode of production in Europe. Their inquiries into the source of wealth and its consequences paved the way for the construction of a theory of value within a mature industrial capitalism. The Classical school, through their reconceptualisation of class relations, grappled with the problems inherent to a social formation dominated by the capitalist mode of production. It is to this body of economic thought that the discussion now turns. These seminal developments in rent theory will be examined within the context of the material changes in the relations of production that gave rise to them.

The first significant development in rent theory after the Physiocrats can be seen in the work of Adam Smith. The progress of English economic thought from the late Mercantilist period and the substance of the school of Physiocracy were brought together in the important contributions Smith made to economic theory at the height of the Scottish Enlightenment.[17] The significance of Smith's theory of rent in the context of the current discussion is that he provided a bridge between Physiocratic notions and Ricardian principles which reflected the nature of the class antagonism between capital and landed property of his time. More importantly, Smith correctly emphasises the role of landed property in his theory of rent. Ricardo later expunges this important function. What has been understood as confusion within Smith's rent theory regarding the causality between rent and price was actually the articulation of a complex problem that expressed a conjunctural class antagonism. This problem will now be elaborated by examining the Physiocratic elements and Ricardian propositions in Smith's theory of rent.

It is not surprising that the Physiocrats influenced Smith. Smith had visited France a decade before the publication of *Wealth of Nations* and was in direct correspondence with important members of the school of Physiocracy such as Mercier de la Riviére, Nicolas Baudeau and Anne-Robert-Jacques Turgot. It is likely though, as Meek claims, that Smith's dependence on the Physiocrats for his own ideas has been exaggerated and that they learned as much from him as he apparently incorporated into his own theories.[18] One area of Smith's thought that does retain a significant element of Physiocratic thinking is his theory of rent.

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[17] *Op. Cit.,* Roll, *History of Economic Thought,* 1992, p. 72; p. 111.
[18] R.L. Meek, *Studies in the Labor Theory of Value,* Monthly Review Press, New York, 1956, pp. 55-57.

As noted above, the Physiocratic system was based on the claim that the source of value was nature. This fundamental premise meant that their entire system of thought posed agricultural labour against non-agricultural labour. This was the key organizing principle in Physiocratic thought. On this basis, the Physiocrats conflated profits and wages because, while they may have been separate categories, they were considered together as against rent. It is this element of Physiocracy, of the primacy given to land, over labour and capital taken together, which appears in Smith's theory of rent. This excerpt from the *Wealth of Nations* demonstrates this point:

> It is the work of nature which remains after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing; man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it.[19]

The implication that in agriculture, there is some element of the surplus, which does not owe to labour, but rather to nature, is a Physiocratic notion. While Smith is rightly regarded as a pioneer of the labour theories of value associated with the Classical school, his thought in this regard is clearly imbued with an important aspect of Physiocracy. What is the significance of this for Smith's theory of rent?

As land, according to the Physiocrats, was the source of value, rent was the form of surplus-value, which was then distributed as other forms of revenue such as wages and profits. For this reason, the theories of rent according to both the Physiocrats and Smith required a theory of landed property. Such was the

[19] Smith quoted in Marx, *TSV I,* p. 61.

political power of the landed interest in this time that Smith could not ignore the economic significance of this barrier to the flow of capital into agriculture and mining. As the forces of social change began to accelerate into the nineteenth century, the power and influence of landed property became a barrier to the rational development of agriculture and mining. By the time Ricardo began to develop his own theory of rent, the need for a theory of landed property was being questioned in accordance with pressing political considerations. This theme is most notably borne out in the debates over the Corn Laws.

The debates over the Corn Laws in England provide an insight to the class struggle between capital and landed property at the exact historical conjuncture when the capitalist mode of production emerged as dominant. This is how a commentator sympathetic to the landed interest described the general flavour of the discourse:

> To those, therefore, who are in search of arguments for the purpose of supporting the partial views of either side, which have hitherto prevailed, I can hold out no encouragement to take the trouble of perusing the following pages: they will not find one single word declaiming the landowners as selfish, monopolizing law-makers, or the manufacturers as sordid, avaricious beings, grasping at the riches of the great, and treading on the rights of the poor: the subject has already been handled too much in this way.[20]

Whatever Wilson's own motives it is clear that the Corn Laws were at least perceived as a class struggle between an emergent industrial bourgeoisie and the established, albeit decaying, ruling strata of landed proprietors. Hindsight has taken the political edge off these debates and they are seen in the

[20] J. Wilson, *Influences of the Corn Laws, as Affecting all the Classes of the Community, and Particularly the Landed Interests, Second Edition,* Longman, Orme, Brown, Green, and Longmans, London, 1840, p. iv.

contemporary period as the basis upon which important foundations of modern liberal trade theory were settled. Salvadori and Signorino, for example, argue that Ricardo's contributions to these debates provided a calculating rationality to offset the false dichotomy between 'defense and opulence' forwarded by defenders of landed property such as Malthus.[21] The ramifications of the debates aside, class tensions between capital and landed property were clearly central to the issue of the corn tariff. The discussion will now turn to a brief and selective survey of the theories of rent forwarded by Ricardo, Malthus and Mill. The purpose of this survey is to identify the key elements Classical rent theory developed in response to the class tensions that found expression in the Corn Law debates.

Ricardo defined rent as 'that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil'.[22] In relation to mining, Ricardo goes on to explain that 'Mines, as well as land, generally pay a rent to their owner; and this rent, as well as the rent of the land, is the effect and never the cause of the high value of their produce'.[23] Ricardo explains that rent in relation to mining is inherently a matter of comparative efficiency or advantage. He states that if 'there were an abundance of fertile mines, which any one might appropriate, they could yield no rent; the value of

[21] N. Salvadori and R. Signorino, 'Defense versus Opulence? An Appraisal of the Malthus-Ricardo 1815 Controversy on the Corn Laws', *History of Political Economy,* Vol. 47, No. 1, 2015, p. 182.
[22] D. Ricardo, *The Principles of Political Economy and Taxation,* Dent, London, 1973, p. 33.
[23] *Ibid,* p. 46.

their produce would depend on the quantity of labour necessary to extract the metal from the mine and bring it to market'.[24]

At this point Ricardo has presented three critical elements of the Classical concept of rent. First, rent is that portion of the gains from the productive process that a mining firm pays to the owner of the land being mined for the right to extract whatever mineral is in the soil. This is a critical distinction for Ricardo as he explicitly states, 'It [i.e. rent] is often, however, confounded with the interest and profit of capital'.[25] The second critical element of rent Ricardo identifies is that rent is the effect rather than the cause of the value of produce. In other words, rent does not create value but is rather created only through the productive process that is inherently driven by human labour. That is, in accordance with Ricardo's labour theory of value, 'the value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or lesser compensation which is paid for that labour'.[26] This notion brings Ricardo to his third critical element of rent: the value of commodities extracted from mines is inherently determined by the quantity of labour required to produce these commodities and rent is in fact a component factor of this final value realised in the exchange of commodities in the market. Essentially, rent must be conceived as that unique element of the surplus value

[24] *Ibid,* p. 46.
[25] *Ibid,* p. 33.
[26] *Ibid,* p. 5.

of commodities gleaned from the exploitation of nature but is still constituted by the application of human labour.

Thomas Robert Malthus was another pioneer of Classical political economy and one of Ricardo's contemporaries. Malthus defined rent to be,

> That portion of the value of the whole produce which remains to the owner of the land, after all the outgoings belonging to its cultivation, of whatever kind, have been paid, including the profits of the capital employed, estimated according to the usual and ordinary rate of the profits of agricultural capital at the time being.[27]

Here, like Ricardo, Malthus distinguishes rent from profits of capital and all other outgoing costs associated with the cultivation or production of the commodities. Examples of other outgoing costs of production are things like labour, machinery and materials such as fertilisers or infrastructure. Both Malthus and Ricardo emphasise the distinction between such costs outlaid in the production process, the profits realised from the sale of goods produced and the rent paid to the landowner for the right to exploit a finite resource, being fertile land or mineral deposits. Rent is, thus, a component factor of the value of a particular commodity whose production is contingent upon the exploitation of specific areas of land. In this sense, the notion of rent is applicable only to those sectors of industry where such commodities are produced, namely in agriculture and mining.

[27] T.R. Malthus, *Principles of Political Economy,* Fairfield, NJ, Augustus M. Kelley, 1986, p. 136.

John Stuart Mill referred to the so-called law of Ricardian rent as the *pons asinorum* of economics.[28] . Whilst alive when Ricardo and Malthus were expounding their principles of political economy, Mill reached his intellectual maturity after the deaths of Ricardo and Malthus in 1823 and 1834 respectively. Whilst heavily influenced by their work, Mill was not privy to the contemporaneous engagement enjoyed by Ricardo and Malthus in their lifetimes. In Mill's estimation, 'the requisites of production being labour, capital, and natural agents; the only person, besides the labourer and the capitalist, whose consent is necessary to production, and who can claim a share of the produce as the price of that consent, is the person who, by the arrangements of society, possesses exclusive power over some natural agent'.[29] Here, as seen before with Ricardo and Malthus, Mill distinguishes the landowner from the labourer and the capitalist as that person with ownership of some natural agent.

Importantly though, Mill immediately explains that the natural agent, whilst a unique component, is nevertheless a component of the broader process of production. Mill goes on to explain that 'land is the principal of the natural agents which are capable of being appropriated, and the consideration paid for its use is called rent'.[30] After supplying this definition of rent, Mill introduces a critical point regarding landowners and the coveted land they possess. The class

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[28] The meaning of *pons asinorum* is literally the bridge of donkeys. Mill is here praising Ricardo's law of rent as synonymous with Euclid's maxim in geometry which states that the angles opposite the equal sides in an isosceles triangle are themselves equal.
H.D. Macleod, *The Elements of Economics, Volume II, Part I, Completing Pure Economics,* D. Appleton and Company, New York, 1886, p. 96.
[29] J.S. Mill, *Principles of Political Economy: With Some of their Applications to Social Philosophy,* London, Longmans & Green, 1909, p. 422.
[30] *Ibid,* p. 422.

of landed proprietors, according to Mill, is unique in the sense that they alone have a claim to a share of the surplus realised in the distribution of the produce, 'through ownership of something which neither they nor anyone else have produced'.[31] Thus, whilst a capitalist contributes capital and labourers supply labour to the production process, both requisites of production sharing a genesis in human labour; the landed proprietor invests only the right to exploit natural agents, devoid of intrinsic value by virtue of the lack of human labour invested in creating them. A thing that is limited in quantity, Mill explains, is a monopolised article regardless of whether its owners actively conspire to that end. However, even when monopolised, 'a thing which is the gift of nature, and requires no labour or outlay as the conditions of its existence, will, if there be competition among the holders of it, command a price, only if it exists in less quantity than the demand'.[32] In essence, natural agents as a requisite of production, despite being devoid of value in the sense that Ricardo has defined in terms of the labour theory of value, still command a price when social demand exceeds the available supply.

Rent exists not because variations in nature exist but because landed property is able to control access to nature. Fertile land suitable for agriculture and mineral-rich lands are finite and relatively scarce when taken in contrast to barren land. Therefore, ownership of such land entitles the landowner to impose a cost upon those who wish to exploit such scarce resources for the production of commodities. Moreover, even fertile or mineral-rich lands are

[31] *Ibid,* p. 422.
[32] *Ibid,* p. 423.

qualitatively different depending upon such factors as soil quality and grades of mineral ores. In this sense, according to Malthus, the land itself is possessed of the power to yield rent by virtue of its ability to produce a surplus. He explains that 'the *power* of such land to yield rent is exactly proportioned to its natural or acquired fertility, or to the general surplus which it can be made to produce beyond what is strictly necessary to support the labour and keep up the capital employed upon it'.[33]

In other words, when the land exceeds a certain measure of fertility, whereby the firm exploiting it is able to appropriate profit from the sale of its commodities over and above the initial outlay of capital and labour, it generates rents. In fact, according to Malthus, it is the ability to produce this surplus that underpins the very notion of rent. He states that 'if no rent can exist without this surplus, and if the *power* of particular soils to pay rent be proportioned to this surplus, it follows that this surplus from the land, arising from its fertility, must evidently be considered as the foundation or main cause of all rent'.[34] Thus, for Malthus, rent arises out of the land itself rather than of the class relations controlling access to the land.

The key distinction between Smith's theory of rent and that of Ricardo, Malthus and Mill is the role played by landed property. Smith permits landed property to obstruct the flow of capital because of the existence of Physiocratic elements within his theory of value. Rent, for Smith, arises out of the obstacle posed by

[33] *Ibid,* p. 141.
[34] *Ibid,* p. 141.

landed property for the application of capital to land. For Ricardo, rent, arises from natural differences in the land itself. Rent is a product of the land rather than the class relation between landed property and capital. It is upon this basis that landed property is expunged from rent theory within the Classical school of political economy. The discussion will now turn to how this assumption of rent formation independent of the effects of the system of landownership was carried through the Marginalist and Formalist revolutions to inform the orthodoxy in rent theory ion the contemporary period.

The End of History for Rent Theory: Marginalists and Formalists

The formalist revolution of the 1950s was, arguably, most notably marked by the appearance of a paper by the recipients of the Sveriges Riksbank Prize in Memory of Alfred Nobel for the Economic Sciences, Arrow and Debreu, which provided a mathematical proof of Walrasian general equilibrium theory.[35] According to Blaug, the article is still regarded to this day as 'a truly rigorous proof of the existence of general equilibrium in a market economy' that fulfilled 'Walras's dream eighty years later'.[36] The Arrow-Debreu proof was praised for its innovative use of new mathematical techniques such as the replacement of differential calculus with convex analysis, the use of relatively new instruments like Nash equilibria and game theory, and the characterisation of equilibria by separation theorems rather than tangencies.[37]

The article is also considered one of the 'earliest dramatic uses in economics of the so-called "indirect, non-constructive proof method" of modern mathematics', whereby Brouwer's 'fixed-point theorem' is used to prove the existence of general equilibrium through logical implication by virtue of its axioms rather than by any reference to material reality.[38] In effect, the Arrow-Debreu proof took the economic problem of the possibility of simultaneous

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[35] K.J. Arrow and G. Debreu, 'Existence of an Equilibrium for a Competitive Economy', *Econometrica,* Vol. 22, No. 3, July 1954, pp. 265-290.
[36] M. Blaug, 'The Formalist Revolution of the 1950s', *Journal of the History of Economic Thought,* Vol. 25, No. 3, 2003, p. 146.
[37] E.R. Weintraub, *Stabilizing Dynamics: Constructing Economic Knowledge,* Cambridge University Press, Cambridge, 1991, pp. 104-107.
[38] *Op. Cit.,* Blaug, 'The Formalist Revolution of the 1950s', 2003, p. 147.

market equilibrium in a real economy and turned it into a mathematical problem about a virtual economy, which would be held to the standards of abstract mathematics rather than empirical economics.[39] The burden of proof was reasonably rigorous and logical but the link to material reality had been severed in favour of logical consistency and axiomatic causation. Such developments in the techniques of economic theorising have been appropriately labelled 'formalism run riot'.[40] Arrow and Debreu were therefore pioneers of modern economic method by virtue of the fact that they united the fundamentally important threads of general equilibrium theory and formalist techniques. This unity of Marginalist principles and Formalist methods is indicative of the orthodoxy in economic thinking in the contemporary period.

The significance of the Arrow-Debreu proof for the theorisation of rent is twofold. First, this formalist proof of general equilibrium theory settled an argument that had been carried on within the Marginalist school since the turn of the century. On the one hand were supporters of Walrus and Jevons who applied the principles of Marginalism within the context of general equilibrium in opposition to those adherents of Marshall who worked within a framework of partial equilibrium.[41] Second, the high tide of the Formalist revolution, the Arrow-Debreu proof, signalled the 'end of history' for the methodology of orthodox economics. The technical apparatus and technical architecture of the

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[39] D.A. Walker, *Advances in General Equilibrium Theory,* Edward Elgar, Cheltenham UK, 1997, pp. 91-110.

[40] *Op. Cit.,* Blaug, 'The Formalist Revolution of the 1950s', 2003, p. 147.

[41] N.O. Martins, 'Interpreting the Capitalist Order before and after the Marginalist Revolution', *Cambridge Journal of Economics,* Vol. 39, No. 4, 2015, p. 1110.

economic sciences from this point on was apparently settled in favour of a unity between Marginalist principles and Formalist method. The theory of rent corresponding to this epistemological and ontological framework has been effectively uncontested within the orthodoxy to the present day. Each of these issues will now be considered in detail.

It has been established above that the orthodox theory of mineral-rent is inadequate because it does not entail a theory of landed property in capitalism. This point can be taken further when it is considered alongside the technical aspects of Marginalist rent theory. The first issue to be raised is that a theory of rent needs to be distinguishable from a theory of profit or wages. Rent in the Classical schema was the factor income derived from the ownership of land. This distinction becomes a casualty of the Marginalist revolution from the 1870s. Whether it be within the framework of general or partial equilibrium, rent cannot be distinguished from profits or wages because factor incomes are determined by factor prices. In the general equilibrium model all factor prices are determined simultaneously and rent is therefore a derivative of prices effected by supply and demand in each market. In the partial equilibrium model, the rest of the economy has to be exogenously fixed and a one good world assumed. This type of analysis must also be based on the assumption of a fixed and indestructible supply of land. In both cases, the specificity of rent as a distinct revenue is denied.

Chapter 4

Karl Marx's Theory of Ground-rent: An Epistemological Break?

> *Corn is not high because a rent is paid, but a rent is paid because corn is high.*
> **David Ricardo (1817)**[1]

> *I have at last been able to sort out the shitty rent business…I had long harboured misgivings as to the absolute correctness of Ricardo's theory, and have at length got to the bottom of the swindle.*
> **Karl Marx to Friedrich Engels (18 June 1862)**[2]

The previous chapter offered a historical narrative of the development of rent theory from the Physiocrats through to the contemporary period. It was suggested that the current orthodoxy in rent theory, exemplified by Garnaut and adopted in the Henry review, could be accurately characterised as a synthesis of Ricardian principles within a framework of general and partial equilibrium theory. This conception of rent, it was argued, is fundamentally flawed, not least of all because it severs the link between rent and land. Rent, by virtue of the methodological constraints of equilibrium theory, must eschew a theory of landed property because the specificity of factor revenues is not permitted in a framework where all factor prices are determined simultaneously. Orthodox rent theory, therefore, is necessarily bereft of a corresponding theory of landed property. By precluding the role of landed property, the orthodox theory of rent is blind to the effects this institution has on the formation and distribution of

[1] D. Ricardo, *On the Principles of Political Economy and Taxation,* in P. Staffa and M.H. Dobb (eds.), *The Works and Correspondence of David Ricardo, Volume I,* Cambridge University Press, New York, 1981(1817), p. 74.
[2] K. Marx and F. Engels, *Collected Works, Volume 41, Marx and Engels, 1860-1864,* Lawrence and Wishart, London, 1975, pp. 380-381.

surplus in extractive industry in the contemporary period. This is why attempts to understand the inability of the state apparatus to exact mineral-rents from transnational mining companies within the context of the recent minerals boom in Australia have been ultimately unsatisfactory. This chapter will articulate a potential solution to this problem by elaborating and extending the theory of ground-rent developed by Marx.

The first question that needs to be answered is, why Marx? Appeals have already been made in the introduction and first chapter of this dissertation to the advantages inherent to the dynamic methodology of historical materialism. The benefits of employing an interdisciplinary approach to a multifaceted social-scientific problem are obvious. The question at hand is what specifically about Marx's theory of ground-rent makes it an appropriate point of departure for addressing the established inadequacies of orthodox rent theory: namely, the methodological denial of the role of landed property? The response to this question will inform the organisation of this chapter generally but it is worth noting for the moment that the crucial reason relates to Marx's theory of ground-rent being contingent upon understanding the role of landed property within the capitalist mode of production. Indeed, as Marx noted at the beginning of his long elaboration in *Capital,* ground-rent is 'the autonomous, specific economic form of landed property on the basis of the capitalist mode of production'.[3]

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[3] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume 3',* 1981, p. 762.

This chapter will not attempt to explicate Marx's theory of ground-rent in its entirety. Marx himself struggled to do so in less than 600 pages and that was with the help of Engels and Kautsky editing his digressions after his death. Rather, this chapter will engage only the elements of Marx's theory of ground-rent that are relevant to understanding the formation and distribution of mineral-rent in the Australian social formation in the contemporary period. Of the various potential strands within Marx's theory that could illuminate this issue, caution and selection must be shown again in addressing only those arguments that establish the need for a theory of landed property in capitalism. Much of the scholarship dealing with important tensions that arise in Marxist rent theory will therefore only be alluded to when necessary. The omissions, if significant, will be noted for potential future investigations at the end of the dissertation.

For the sake of brevity, only the following themes will be explored in this chapter: the necessity of a theory of landed property in the construction of a socially significant theory of mineral-rent in Australia; the subsumption of landed property into capital in the contemporary period; and, the relevance of these developments for ground-rent as a determinant of patterns of capital accumulation rather than merely an issue of distribution of surplus value. Each theme will now be explored in detail before concluding remarks are made regarding the difficulties inherent to establishing a general theory of mining.

Landed Property and Ground-rent

This sub-section will articulate the position, which is central to this study, that a socially significant theory of mineral-rent in the contemporary period necessarily requires a theory of landed property in capitalism. This will be done with reference to two principal claims: a theory of mineral-rent on the basis of the capitalist mode of production in the contemporary period is inextricably linked to a theory of landed property; and, mining is distinct from agriculture in relation to the theory of ground-rent and, subsequently, the theory of landed property. These claims could be construed as almost tautological iterations of the initial position but there are subtle nuances that have significant implications. The exploration of these distinctions will now inform the discussion.

Before engaging critically with Marx's writings on ground-rent it is necessary to establish their credibility as serious theoretical endeavours. This is so not merely because Marx is one of the most caricatured figures in the canons of political economy but also because those who have attempted to develop his thought within the Marxist tradition have been equally dismissive of his writings on ground-rent. Those who have grappled with the extensive sections of the third volume of *Capital* and second volume of *Theories of Surplus Value* that deal with ground-rent almost always begin with some kind of qualification that what Marx wrote on rent was fragmented, discursive and theoretically incoherent. Harvey began the chapter on rent in *The Limits to Capital* with the claim that ‘Rent, it is fair to say, troubled Marx deeply’.[4] He stressed that Marx’s ‘writings on the subject, all of which were published posthumously, are for the most part tentative thoughts set down in the process of discovery’ which rendered the work ‘dogged by certain difficulties’ resulting in ‘a good deal of confusion and an immense and continuing controversy’.[5]

Bryan prefaced his call for Marxist theory to divorce the concept of rent from land and attach it to a general conception of monopoly with the caveat that Marx’s writings on rent ‘were, after all, just notebook entries, some comprising just an isolated paragraph, assembled and edited by Engels after Marx’s death’.[6] Ramirez issued a more cautious warning with the statement that Marx’s writings ‘were painstakingly assembled and, in some cases, extensively edited and published by F. Engels (*Capital,* Vol. III) and K. Kautsky (*Theories of Surplus Value)* after Marx’s death, so it is uncertain how Marx would have prepared them for publication had he lived one or two more decades’.[7]

Each of these claims is somewhat accurate; Marx was troubled by rent, his writings have caused immense confusion, Engels and Kautsky did bring together isolated notebook entries and we indeed cannot be certain about what Marx would have written about rent had he lived to the turn of the century. Perhaps, however, these claims have been taken too far to imply a degree of

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[4] D. Harvey, *The Limits to Capital,* Basil Blackwell, Oxford UK, 1982, p. 330.
[5] *Ibid,* Harvey, *The Limits to Capital,* 1982, p. 330.
[6] D. Bryan, ‘“Natural” and “Improved” Land in Marx’s Theory of Rent’, *Land Economics,* Vol. 66, No. 2, May 1990, p. 176.
[7] M.D. Ramirez, ‘Marx’s Theory of Ground Rent: A Critical Assessment’, *Contributions to Political Economy,* Vol. 28, No. 1, 2009, p. 72.

logical inconsistency and incoherence that obscure the important insights present in Marx's work?

In the introduction to the Penguin edition of Volume 3 of *Capital,* Mandel makes the claim that 'Volume 3 is constructed with the same logical rigour as its predecessors'.[8] Whereas volume I of *Capital* was concerned with determining the origin of the two basic categories of revenue, wages and profits, volume 3, Mandel claims, sought to show 'how specific sectors of the ruling class participate in the distribution of the total mass of surplus-value produced by productive wage-labour, and how these specific economic categories are regulated'.[9] Judged on this aim, Mandel contends that the 'fundamental logic of Marx's *Capital* unfolds in all its majesty once we integrate the structure of Volume 3 into that of Volumes 1 and 2'.[10] The integral unity of the inherent logic of Marx's argument across the entirety of *Capital* makes it difficult to appraise the sections on ground-rent in Volume 3 of *Capital* and in Volume 2 of *Theories of Surplus Value* as incongruous notations or incoherent musings.

Engels appears to provide some evidence to substantiate the claim that aspects of Volume 3 of *Capital* were incoherent and undeveloped. The following excerpt from Engels's preface is instructive and worth quoting at length:

> There was only one draft, and even this contained very major gaps. As a rule, the beginning of each section had been more or less carefully elaborated, and generally polished stylistically as well. But as the section in question went on, the draft would become ever more sketchy and fragmented, and contain ever more digressions on side

[8] E. Mandel, 'Introduction', in *Op cit,* K. Marx, *Capital: A Critique of Political Economy, Volume Three,* (1894) 1981, p. 11.
[9] *Ibid,* p. 12.
[10] *Ibid,* p. 13.

> issues that had emerged in the course of the investigation, the proper place for these being left to be settled later. The sentences, too, in which thoughts written down *in statu nascendi** (*just as they arose) found their expression, became ever longer and more intricate. At several points both handwriting and presentation betrayed only too clearly the onset and gradual progress of one of those bouts of illness, brought on by overwork, that made Marx's original work more and more difficult and eventually, at times, quite impossible. [11]

This description of Marx's original manuscript seems to give credence to the criticisms of his elaboration of the theory of ground-rent mentioned above. To what extent, though, do Engels's observations warrant suspicions of logical incoherence to form the basis of valid criticisms of Marx's theory of ground-rent? Part five, on the Division of Profit into Interest and Profit of Enterprise, was, according to Engels, 'the most important subject in the entire book' and the Part that 'presented the major difficulty'.[12] For this Part, in accordance with his general comments on the entire manuscript, Engels notes that there was no complete draft or even an outline, 'but simply the beginning of an elaboration which petered out more than once in a disordered jumble of notes, comments and extract material'.[13]

This, however, is not the case for Part six, on the Transformation of Surplus Profit into Ground-rent. This part of the manuscript, according to Engels, 'had been far more completely elaborated, even if not at all arranged, as is already apparent from the fact that Marx found it necessary in Chapter 43…to recapitulate in brief the whole of this Part'.[14] It would seem, therefore, that while Marx's original manuscript had been generally discursive and incomplete,

[11] F. Engels, 'Preface', in *Op. Cit.,* K. Marx, *Capital: A Critique of Political Economy, Volume Three,* (1894) 1981, pp. 92-93.
[12] *Ibid,* p. 94.
[13] *Ibid*, pp. 94-95.
[14] *Ibid,* p. 96.

specific sections were more coherent than others. In particular, the section on ground-rent seemed to reflect more accurately Marx's intentions in relation to the integral unity of the logic expounded throughout the entirety of *Capital.* This, of course, does not vitiate the substantive criticisms of Marx's exposition of ground-rent. It is perhaps enough, though, to cast doubt upon the accusation that Marx's theorisation of ground-rent was any less rigorous or coherent than more well-worn pastures of contention relating to the volumes of *Capital* which were published posthumously.

If the theory of ground-rent expounded in *Capital* and *Theories of Surplus Value* was reasonably coherent, and, therefore, worth engaging, what then was the substance of this elaboration? This is a difficult question for at least two reasons. First, the vast gamut of discourse on rent theory scarcely mentions Marx's theory of ground-rent. Second, those who do engage it have generally recycled familiar readings of Marx's work in order to inadvertently support the positions they seek to critique. In support of the first claim, Ramirez has noted, 'it is still the norm for highly regarded textbooks in the history of economic thought to scarcely mention Marx's own theory of differential rent, let alone absolute rent'.[15] Fine explains, in relation to the second claim, that 'whereas for Ricardo, (differential) rent is a physical property of the land for which ownership merely bestows the right to revenue with no further effects, for Marxist distributional rent theory, agency in landownership depends upon asserting an individual and class monopoly over access to a particular item of

[15] *Op cit,* Ramirez, 'Marx's Theory of Ground Rent: A Critical Assessment', 2009, pp. 71-72.

the means of production'.[16] The result of these tendencies has been to further consolidate the hegemony of orthodox rent theory in analysis of concrete situations in extractive industry. Non-Marxists dismiss the theory of ground-rent as irrelevant and Marxists have generally adopted an interpretation which, when extended to its logical conclusion, supports the Ricardian-Marginalist position that rent in capitalism is not specific to land and can be regarded as monopoly rent.

It is imperative, despite these difficulties, to (re)discover the value of Marx's contribution to rent theory in order to address the problems of mineral-rents in the contemporary Australian context. In order to begin this process, the key elements of the theory must be delineated. The central claim underpinning Marx's theory of ground-rent is that capitalist landed property is capable of acting as a barrier to the entry of capital onto land. This means that the specific system of landed property under the conditions of capitalist production is in fact the key to understanding this class relation. In other words, rent is always a class relation and must be understood within the dynamic context of landed property *vis-à-vis* capital. This relation does not always need to be antagonistic but it is indeed always a social relation. Rent, therefore, is the economic expression of a class relation.

Marx developed three categories to explain the dynamics of this social relation. There were, according to Marx, two types of differential ground-rent, which

[16] B. Fine, 'Coal, Diamonds and Oil: Toward a Comparative Theory of Mining?', *Review of Political Economy,* Vol. 6, No. 3, p. 283.

were qualitatively distinct from the third category, absolute ground-rent. Each category was not only analytically distinct but also historically contingent. This historical specificity is, arguably, the most significant factor in terms of the subject matter of this dissertation and for considerations of ground-rent in the contemporary period. This will be elaborated further in the next sub-section, on Marx's three classes in modern society. For now, it is necessary to provide a brief explanation of each of the three categories of ground-rent.

Ground-rent, as defined by Marx in volume three of *Capital* and volume two of *Theories of Surplus Value,* is comprised of two primary components. These are differential ground rent, which is also made up of type one and type two, and absolute ground rent. As a general definition of ground-rent, Marx provides this broad statement:

> The presuppositions for the capitalist mode of production are thus as follows: the actual cultivators are wage-labourers, employed by a capitalist, the farmer, who pursues agriculture simply as a particular field of exploitation of capital, as an investment of his capital in a particular sphere of production. At certain specified dates, e.g. annually, this farmer-capitalist pays the landowner, the proprietor of the land he exploits, a contractually fixed sum of money (just like the interest fixed for the borrower of money capital), for the permission to employ his capital in this particular field of production. This sum of money is known as ground-rent, irrespective of whether it is paid for agricultural land, building land, mines, fisheries, forests, etc. It is paid for the entire period for which the landowner has contractually rented the land to the farmer. Ground-rent is thus the form in which landed property is economically realized, valorized.[17]

This definition, which precedes the lengthy discussion on both differential and absolute ground-rent, is important because it highlights some significant factors in relation to the notion of ground-rent in general.

[17] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, pp. 755-756.

First, Marx reiterates that the presuppositions for the capitalist mode of production entail that wage-labourers are employed by a capitalist seeking to exploit a particular sphere of production. This is an important characteristic because it distinguishes the capitalist mode of agriculture (or mining) from that of previous modes of production, such as in feudalism. Second, Marx specifies what exactly constitutes ground-rent. It is defined as the 'contractually fixed sum of money' paid by the capitalist to the landowner 'at certain specified dates' for the permission to employ capital in that particular field of production and on that particular piece of land.[18] Third, Marx states that ground-rent appears only within specific spheres of production.

However, within these spheres, namely agriculture and mining, the laws that determine ground-rent are the same. Essentially, ground-rent becomes a factor of the circuit of production only within spheres of production that utilise an economic advantage manifested within specific areas of land. This aspect of ground-rent is more clearly defined in an earlier passage where Marx states:

> Our own reason for considering the modern form of landed property is simply that we need to consider all the specific relationships of production and exchange that arise from the investment of capital on the land. Without this, our analysis of capital would not be complete. We therefore confine ourselves exclusively to the investment of capital in agriculture proper, i.e. in the production of the main plant crops on which a population lives. We can take wheat, since this is the major means of sustenance for modern, capitalistically developed nations. (Instead of agriculture, we might equally well have taken mining, since the laws are the same.)[19]

The fourth significant aspect of this statement relates to the concluding sentence, which reinforces the opening claim involving the presuppositions of the capitalist mode of production. To comprehend and apply the theory of

[18] *Ibid,* pp. 755-756.
[19] *Ibid,* p. 752.

ground-rent, class relations must form the basis of the account and their historical specificity must be taken into consideration.

The concept of absolute ground-rent is arguably the most significant aspect of Marx's emergent theories of rent and landed property contained within *Capital* and the *Theories of Surplus Value*. The significance of this category for the current study relates more to absolute ground-rent as a signifier of the historical class relation between landed property and capital. The formal definition of the concept within the context of Marx's theory of value is a secondary consideration and will not be elaborated in detail here. A brief overview of the concept and the attendant controversies will suffice.

Whereas differential ground-rent of both types arises from the investment of capital onto land already under cultivation, absolute ground-rent derives from the movement of capital onto new land. This is why Marx defined it as 'independent of the differences in fertility between types of land or successive investments of capital on the same land'.[20] The essence, according to Marx, of absolute ground-rent consists in the fact that 'equally large capitals produce different amounts of surplus-value in different spheres of production according to their differing average composition, given an equal rate of surplus-value or equal exploitation of labour'.[21] The factor that accounted for this difference in the organic composition of capital, or productivity of capital, was that of landed property itself. To use a hypothetical example relevant to the current study, a

[20] *Ibid,* p. 894.
[21] *Ibid,* p. 906.

deposit of high-grade iron ore is not the reason rent is generated. It is, rather, that the system of private property in land does not permit the difference in fertility between iron ore mines to be equalised in the Ricardian sense. A tax proportional to differences in fertility (or advantages in transport etc.) would not equalise returns to capital because there is something else prohibiting this equalisation. Marx claimed that landed property, 'whenever production needs land…blocks this equalization for the capitals invested on the land and captures a portion of surplus-value which would otherwise go into the equalization process, giving the general rate of profit'.[22]

This is, however, all contingent upon certain conditions prevailing in land-based industry relative to non-land-based industry. Landed property retarded the rational development of land-based industry through its ability to exact rent. Capitalist farmers would not invest capital to increase the productivity of land if it meant having to bequeath the gains to the landowner once the lease expired. This mitigated the increase of constant capital relative to variable capital that was the tendency in non-land-based industry. It is, as Marx noted, only on the 'premise that the value of agricultural products can rise above their price of production; i.e. that the surplus-value produced in agriculture by a capital of a given size…by the surplus labour that it sets in motion and commands…is greater than for an equally large capital of the average social composition'.[23] When, Marx goes on to claim, this hypothesis is inapplicable, the form of rent

[22] *Ibid,* p. 906.
[23] *Ibid,* p. 894.

corresponding to it disappears'.[24] In other words, if the ratio of constant to variable capital in land-based industry were to equal or exceed that of non-land-based industry, the basis for the formation of absolute ground-rent would disappear. If agriculture and mining were to become highly capital intensive, as they are in the contemporary period, absolute-ground rent would not exist.

The disappearance of absolute ground-rent is, in the final analysis, contingent upon the social development of the relation between landed property and capital. Absolute ground-rent represented the ability of a feudal institution, feudal landed property, to mitigate the accumulation of capital across industries that entailed the exploitation of land. The landed aristocracies of feudal social formations were able, through their monopoly control of access to land, to exact a rental payment for the exploitation of land and its appurtenances. This is, in part, what Marx meant by the statement that 'Landed property presupposes that certain persons enjoy the monopoly of disposing of particular portions of the globe as exclusive spheres of their private will to the exclusion of all others'.[25]

While landed property, in its technical sense as a system of private property in land, remains, the feudal aristocracies of Marx's time can no longer be said to exercise the class power they once did. Indeed, in the juridical, economic and political sense, this class no longer exists in any meaningful way throughout most of the advanced capitalist economies. This is particularly the case in

[24] *Ibid,* p. 894.
[25] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, p. 752.

Australia, where the feudal mode of production did not unfold over centuries and did not have the opportunity to create entrenched class relations. The category of absolute ground-rent was a transitory phenomenon as was the class antagonism that it represented in economic form: the diminishing class power of the feudal aristocracy *vis-à-vis* the emerging industrial bourgeoisie. This is precisely why the concept is so important.

As with all of Marx's insights to the capitalist mode of production, the concept of absolute ground-rent is historically contingent. The barrier to accumulation that absolute ground-rent represented was a function of the class antagonism between landed property and the bourgeoisie at a specific historical conjuncture. Specifically, Marx based his emerging theory of landed property upon data gleaned from the various land reforms occurring in Russia throughout the 18th and 19th centuries. The impetus for this study related specifically to the debates surrounding the Importation Acts of 1815 and 1846, otherwise known as the Corn Laws. The struggle between landed property and an emergent industrial bourgeoisie over the tariff on grain was a concrete manifestation of the historical emergence of the capitalist mode of production as the motive force determining the character and structure of the social formations of Europe.

In the context of his critique of political economy, absolute ground-rent functioned to dispel the notion that rents were price determined, as Ricardo, whose theory of value could only permit the existence of differential rent, had argued. Marx's contribution proved that rents were in fact socially determined in the sense that class power, and therefore a social relation, was the basis of rent, rather than inherent properties of the land. The notion of an absolute ground-rent drew attention to the fact that the particular historical form of landed property in relation to capital was the primary consideration determining the nature, function and magnitude of rent. That is, the most significant aspect of absolute ground-rent is its insistence that the specific form of landed property at each distinct historical conjuncture is critical for understanding the nature of capital accumulation. Or, as Fine and Saad-Filho have aptly noted, the importance of Marx's theory 'lies less in its providing a determinate theory of rent and price and more in that it draws attention to the historically specific ways in which landed property influences the pace, rhythm and direction of capital accumulation'.[26]

While Marx did not live to see extractive industry under conditions of mature capitalism, he did take the transient nature of his current context into consideration. His theoretical elaboration of absolute ground-rent explicitly acknowledged the conditions under which it would disappear. According to Marx, 'Landed property operates as an absolute barrier only in as much as any permission to use land, as a field of investment for capital, enables the landowner to extract a tribute', adding that, 'once this permission had been given, the landowner can no longer place any absolute barrier to the quantitative level of capital investment on a given piece of land'.[27] At this point of social development, ground-rent becomes a matter of differential nature

[26] *Op cit,* Fine and Saad-Filho, *Marx's Capital,* 2010, p. 145.
[27] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, p. 899.

because the barrier to entry for capital onto land as a sphere of investment has been overcome.

This general explanation leads onto a more technical description, whereby 'if the average composition of agricultural capital were the same as of the average social capital, or even higher than this, the result would be the disappearance of absolute rent in the sense developed above, namely a rent that is different both from differential rent and from rent depending on an actual monopoly price'.[28] Here we are able to glimpse some important aspects of Marx's theory of ground-rent. First, the conditions of production prevailing in land-based industries in Marx's time - agriculture and mining - were predominantly labour-intensive, hence the reason for the lower social productivity of labour in this sphere of production.

Second, absolute ground-rent is distinct from both differential rent and of what can broadly be referred to as a 'monopoly' rent. While the technical reason for the absolute barrier to capital raised by landed property lies in the social productivity of land-based industries, it does not necessarily lie in the ability to monopolise land. This is an important point because much of the criticism surrounding the utility of the absolute ground-rent as an analytical category in contemporary analyses of land-based industries centres around the suggestion that absolute ground-rent should be collapsed into a broader theory of

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[28] *Ibid,* p. 899.

monopoly rent.[29] However, conflating a category of rent specific to land with one that can arise across all economic spheres would run counter to the essence of Marx's theory of ground-rent which sought to understand the function of landed property within the capitalist mode of production. Monopoly rent applies to all factors of production whereas the theory of ground-rent must be specific to the antagonistic and irreconcilably contradictory social relation between landed property, a feudal institution that is a fundamental aspect of capitalism, and capital, which presupposes private property rights. This appears tautological because capital is the principle means of the capitalist mode of production. The distinction, however, is historical and refers to the internalisation of the class antagonism between capital and landed property at a specific historical conjuncture. This process will be discussed in detail below. As long as private property underpins the capitalist mode of production, landed property will play a role in determining the patterns of capital accumulation.

To this end, the problem of absolute ground-rent within the context of the contemporary global minerals industry is not simply one of identifying the monopolisation of mineral deposits but rather of specifying and explicating the relationship between landed property and the production of mineral commodities under conditions of capitalism currently prevailing. It is not so much a matter of proving or disproving the existence of absolute ground-rent but more about the potential for landed property to extract absolute ground-

[29] *Op cit,* Ramirez, 'Marx's Theory of Ground-rent: A Critical Reassessment', 2009, pp. 78-88.

rent within a historically contingent class relation to capital. If landed property must exist in the contemporary period, by virtue of it simply expressing the nature of the relationship of ownership between humans and land, then the task becomes one of reconceptualising the essence of absolute ground-rent within a new historical context. The question then becomes, what is the nature of landed

[29] *Op cit,* Ramirez, 'Marx's Theory of Ground-rent: A Critical Reassessment', 2009, pp. 78-88.

property in the modern, purely capitalist, mode of production. Moreover, what is the exact nature of that mode of production within which landed property continues to condition the ‘pace, rhythm and direction of capital accumulation’?[30] Marx clearly saw the forces of history moving toward the extinction of the rentier class. How can the dynamics of extractive industry under modern conditions be understood when a landed aristocracy no longer exists in the Feudal sense but the ability to mitigate the flow of capital onto land is still the function of a social group? This makes the analysis of landed property within the contemporary context a pressing consideration for moving toward a more accurate understanding of the capitalist mode of accumulation more broadly and the sphere of extractive industry specifically.

[30] *Op cit,* Fine and Saad-Filho, *Marx's Capital,* 2010, p. 145.

Three Classes?

This sub-section will articulate the following position: modern landed property is no longer a class in opposition to capital and labour; it has become subsumed into capital and now constitutes a fraction of that class; the historical process by which this subsumption was affected began in 1861 with the culmination of the land reform movements in the colonies manifested by the Robertson and Duffy land Acts. The discussion of analytical categories within Marx's theory of ground-rent in the previous sub-section emphasised the historical specificity of both differential and absolute ground-rent. It is argued below that the above position can be understood as the historical disappearance of absolute ground-rent in accordance with the development of the social relation between landed property and capital. The subsumption of landed property into capital means that a division of labour between ownership and control constitutes the contemporary form of landed property. The control function of contemporary landed property is vested in the neocomprador fraction of the bourgeoisie while the state, in conjunction with indigenous landowners, constitutes the ownership function. The discussion will now elaborate these claims.

The extent to which Marx neglected to elaborate a theory of class is well known. As has already been noted in the discussion on methodology in the first chapter of this dissertation, Marx's discussion of classes in chapter 52 of the third volume of *Capital* ran five paragraphs over two pages before, as Engels lamented, the manuscript broke off. Marx's introduction to this unfinished chapter serves well, though, as a point of departure for establishing the connection between landed property and ground-rent in his work. According to Marx,

> The owners of mere labour-power, the owners of capital and the landowners, whose respective sources of income are wages, profit and ground-rent – in other words wage-labourers, capitalists and landowners – form the three great classes of modern society based on the capitalist mode of production.[31]

Landowners, as a class separate from capital and labour, draw ground-rent as revenue by virtue of their ability to act as a barrier to the flow of capital onto land. Landed property is presented as outside of the dichotomous class relations usually associated with Marx's schema. In approaching a working definition of ground-rent Marx claims that 'we have together here, moreover, and confronting one another, all three classes that make up the framework of modern society – wage-labourer, industrial capitalist, landowner'.[32]

This claim has been used to substantiate criticisms of Marx's theory of ground-rent being irrelevant to the contemporary capitalist mode of production. It is considered proof that Marx was concerned with a transitory mode of production which entailed vestiges of feudalism. The theory of ground-rent, therefore, does not apply to contemporary, purely capitalist, conditions. This reasoning underpins much of the Marxist scholarship critical of Marx's theory of ground-rent identified previously. It is also central to the dyadic class structure generally associated with Marxist theory as expressed by Laclau who viewed classes as opposing 'poles of antagonistic production relations'.[33] Indeed, Neo-

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[31] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume 3,* 1981, p. 1025.
[32] *Ibid,* p. 765.
[33] E. Laclau, *Capitalism and Ideology in Marxist Theory,* New Left Books, London, 1977, p. 159.

Marxist investigations of the most recent minerals boom in Australia adhere to this binary view of class.[34]

This view of class is not misguided. A separate class of landed proprietors whose interests do not coincide with capital does not exist in the contemporary Australian social formation. Rather, the potential antagonism represented by landed property *vis-à-vis* capital has now been internalised. Landed property is now a fraction of capital. Its interests as a fraction may be antagonistic to other fractions but, in the final analysis, landed property as a definite group of people are invested in the reproduction of capitalist social relations and, as such, committed to the capitalist class as a whole.

The historical details of this internalisation, or subsumption, constitute the discussion in chapter 6. The remainder of this sub-section will be concerned with expounding the contours of this process in terms of analytical categories. This will serve to link the key themes explored in the theoretical discussion thus far together so as to inform the empirical investigation in the remainder of the dissertation.

Marx stated in the *Grundrisse* that 'capital is the *creator* of modern landed property, of ground rent; just as its action therefore appears also as the dissolution of the old form of property in land'.[35] This is in reference to the self-

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[34] C. Howlett, 'Flogging a Dead Horse? Neo-Marxism and Indigenous Mining Negotiations', *Australian Journal of Political Science,* Vol. 45, No. 3, 2010, p. 471.

[35] K. Marx, *Grundrisse: Foundations of the Critique of Political Economy,* Penguin, London, (1858) 1973, p. 276.

expansion of capital creating the class antagonisms that will delineate the classes of modern society. Capital created wage-labour through expropriating the peasantry and it simultaneously created modern landed property, as a class within itself, by removing it from the production of land-based commodities.[36] The separation of landed property from land-based production was what Marx alluded to when he wrote that the landed proprietor can spend his entire life in Constantinople, while his landed property remains in Scotland'.[37] Marx praised capitalism for facilitating the 'rationalization of agriculture, which enables this to be pursued for the first time on a social scale, and the reduction of landed property to an absurdity', stating that these 'are the great services of the capitalist mode of production'.[38] It is this very act of creation, though, that forms the basis of a class antagonism. Capital vested *capitalist* landed property with the ability to act as a barrier to the application of capital to land through its ownership function.

It is this class antagonism that capital attempts to overcome from the moment it creates *capitalist* landed property. While landed property exists as a class outside of capital, it acts as an effective barrier to the penetration of capital onto land. The removal of this barrier requires the abolition of capitalist landed property. This represents a serious problem though for capital, because, as has been noted, 'landed property is a historical precondition for the capitalist mode

[36] M. Neocosmos, 'Marx's Third Class: Capitalist Landed Property and Capitalist Development', *Journal of Peasant Studies,* Vol. 13, No. 3, 1986, p. 13.
[37] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume 3,* 1981, p. 755.
[38] *Ibid,* p. 755.

of production and remains its permanent foundation'.[39] To abolish capitalist landed property would therefore mean abolishing capitalism itself. The alternative means to remove the barrier posed by landed property, while retaining capitalist social relations, is through what Marx termed a '*de facto* abolition of landed property'.[40]

The first case would entail the landowner and capitalist becoming the one person. Or, as Marx noted, if the 'landowner is himself a capitalist or the capitalist a landowner…this hypothetical…barrier that landed property places to the investment of capital immediately disappears'.[41] The other way is through the nationalisation of land whereby the state dispossesses the class of landowners through juridical means. This is, however, according to Marx, 'the abolition of landed property in the Ricardian sense, that is, its conversion into state property so that rent is paid to the State instead of to the landlord, is the ideal, the heart's desire, which springs from the deepest, inmost essence of capital'.[42] Although, as Neocosmos argues, 'if the state does not realise this rent it ceases to act as a barrier to capital' and landed property, as a class outside of capital, disappears.[43] The *de facto* abolition of landed property has the effect of subsuming it into capital itself. Landed property can then be considered a fraction of capital rather than a class outside of and in opposition to it. This is what has transpired in the historical development of landed property in the

[39] *Ibid,* p. 754.
[40] K. Marx and F. Engels, *Collected Works, Volume 41, Marx and Engels, 1860-1864,* Lawrence and Wishart, London, 1975, p. 738.
[41] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume 3,* 1981, p. 885.
[42] K. Marx, *Theories of Surplus Value, Part III,* Progress Publishers, Moscow, 1971, p. 472.
[43] *Op cit,* Neocosmos, 'Marx's Third Class: Capitalist Landed Property and Capitalist Development', 1986, p. 31.

Australian context. The detail of this analytical sketch will be explored in chapter 6. The discussion will now turn to suggesting avenues to develop the somewhat stagnant discourse on Marxist rent theory by moving beyond rent as a distributional consideration and viewing it as an important determinant of patterns of capital accumulation.

Beyond Distributional Debates

The various debates concerning Marx's theory of ground-rent can be usefully distinguished according to their interpretation of what Marx wrote over some 600 pages mostly to be found in the third volume of *Capital* and the second volume of the *Theories of Surplus Value.* On the one hand, there are those who perceive ground-rent as a distributional issue. Landed property is seen as significant in these accounts to the extent that it can mitigate the flow of capital onto land. This barrier to capital accumulation generates rent owing to the difference in the organic composition of capital between land-based and non-land-based industry.

This absolute ground-rent, as discussed above, appears only under certain conditions and disappears once the organic composition of capital in land-based industry equals or exceeds that in non-land-based industry. Once land-based industry becomes capital intensive, absolute ground-rent is no longer relevant as an explanatory category. Rent, from this point onwards, accords with the Ricardian-Marginalist position, which severs the link between land and rent. Differential rent, in terms of differing fertilities of land and varying applications of capital to land, explains the formation and distribution of rent while monopoly rent replaces the category of absolute rent. Within this scholarship, as Fine has noted, there has been a 'tendency to conflate monopolisation over the supply of a particular commodity with the ownership of the particular pieces of land from which it is produced, although the two sources of monopoly are conceptually and, often in practice, practically distinct'.[44]

The defining characteristic of Marxist distributional rent theory has been the preoccupation with the *effects* of rent as opposed to its causes and implications. The rent relation is seen as historically specific, which distinguishes this type of analysis from the Ricardian and Marginalist approaches. Marxist rent theory is delineated, in the first instance, by its historically contingent approach. As Marx observes, 'Ricardo, after postulating bourgeois production as necessary for determining rent, applies the conception of rent, nevertheless, to the landed property of all ages and countries', which is 'an error common to all economists, who represent the bourgeois relations of production as eternal categories'.[45]

Marxist distributional rent theory, however, adopts a static approach rather than viewing rent within the context of the dynamics of capital accumulation. There is an alternative approach that emphasises patterns of accumulation and perceives the formation and distribution of rent as historically contingent and determined by the dynamic role of landed property within the capitalist mode of production.

[44] *Op cit,* Fine, 'Coal, Diamonds and Oil: Toward a Comparative Theory of Mining', 1994, p. 283.
[45] K. Marx, 'The Poverty of Philosophy', in K. Marx and F. Engels, *Collected Works, Volume 6, Marx and Engels, 1845-1848,* Lawrence and Wishart, London, 1975, p. 202.

This approach, which can be traced to the debate between Ball and Fine[46], 'concerns the conditions under which capital has access to the land for the purposes of production and accumulation'.[47] In other words, capitalist landed property is seen as a dynamic factor that determines the character of ground-rent at a given historical conjuncture. This theory of ground-rent is dynamic, as opposed to static distributional approaches, because its point of departure is identifying the role and function of landed property in a given historical context as the basis for rent.

The advantages of adopting a patterns of accumulation approach are that it permits the examination, in conjunction with the rent relation, of the contributing factors to determining broader patterns of capital accumulation. To draw on Fine again, at length, a dynamic approach to rent:

> concerns the conditions under which capital has access to land for the purposes of production and accumulation. This goes far beyond the payment of rent for differential fertility or for monopoly control. It potentially depends upon a whole host of factors over and above the distribution of ownership and (legal) control of land to incorporate access to credit, markets, labour, etc, any one of which may play a decisive role in mediating the rent relation. Often these factors, conflicts over them, and the balance of economic and political power are reflected in the form taken by leases - what is their customary length, rights of renewal, arrangements over ownership of fixed capital or improvements in the event of non-renewal, etc.[48]

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[46] This debate centred around the first article listed below contributed by Ben Fine which argued that Marx's theory of differential rent type 2 was linked to absolute ground-rent. The details of the debate are not central to the current study but it is worth noting that this interaction forms the basis for all subsequent 'patterns of accumulation' approaches to Marxist rent theory:
B. Fine, 'On Marx's Theory of Agricultural Rent', *Economy & Society,* Vol. 8, No. 3, 1979, pp. 241-278.
M. Ball, 'On Marx's Theory of Agricultural Rent: A Reply to Ben Fine', *Economy & Society,* Vol. 9, No. 3, 1980, pp. 304-326.
B. Fine, 'On Marx's Theory of Agricultural Rent: A Rejoinder', *Economy & Society,* Vol. 9, No. 3, 1980, pp. 327-331.
[47] *Op cit,* Fine, 'Coal, Diamonds and Oil: Toward a Comparative Theory of Mining', 1994, p. 284.
[48] *Ibid,* p. 284.

This approach permits the investigation of not just how rent is distributed among competing interests but why this process occurs. It is, therefore, more appropriate to the task of explicating the social signification of rental payments for then use of land and its appurtenances. Key elements of this approach as they relate to the current study will be explored in the next chapter before moving onto a discussion of the historical development of landed property in Australia.

Chapter 5

Confronting the Orthodox Theory of Mineral-rent

The discussion thus far has suggested that the orthodox conception of mineral-rent in the contemporary period is flawed because it has evolved within a long line of economic thinking that is primarily concerned with facilitating the reproduction of specific social relations of production. It has been argued that the ontological and epistemological foundations of the orthodox conception of mineral-rents were firmly rooted within the historical realities they attempted to explain; this reality was politically determined and as such must be explained with reference to the political forces that reflexively determined economic outcomes. The relations between mining firms and governments reflect social interests and the theories determining the scope of these 'bargains' must contain normative considerations. The social interests vying for economic outcomes must be taken to account in order to account for the social interest.

Through an examination of the theoretical heritage of the current conception of mineral-rents it has been suggested that the role and function of the institution of landed property could not have been effectively understood until the productive forces of the capitalist mode of production reached a more mature stage. While the pioneers of the Classical, Marxist and Neoclassical traditions were able to identify the broad parameters of the problem of mineral-rents, these insights need to be extended in order to arrive at a contemporarily relevant approach. To this end, it is suggested in this section that the way forward in this regard is through a confrontation of the Marxist tradition with the Neoclassical tradition.

The discussion below traces three key developments in Marxist rent theory. Contributions from Nwoke, Harvey and Fine are central themes used to illuminate the trajectories of key debates. At issue here, for the current study, are three things: the global character of extractive industry in the contemporary period; the rent relation as both a signifier of class revenue and as a form of capital, thereby articulating two concepts simultaneously; the struggle to appropriate rent as involving more than static 'bargains' and, therefore, determining broader patterns of capital accumulation.

Each theme will now be explored in conjunction with the relevant debates in Marxist rent theory. The issues considered prompt consideration of rent as a class relation and place it within a broader context of time and space which alter its social significance. This scope is not permitted when rent is seen purely as a mechanism for allocating investment according to varying levels of productivity.

World Mining Rents

Nwoke posed a crucial question in the 1980s that led him to reveal several insights and developments to the theory of ground-rent Marx hypothesised. Nwoke asked why the resource rich nation-states of the global periphery did not reap the benefits of their natural economic endowments? His answer was that absolute ground-rent was unable to be appropriated and differential rent of both types now accrued to capital rather than the landowners. In Nwoke's schema, multinational mining companies represented capital and the Third World host governments represented landed property. The following is a long excerpt that succinctly outlines Nwoke's core thesis and distinguishes it from Marx's theory:

> Briefly summarized, it argues that in today's world mining business, unlike the 19th-Century agriculture on which Marx based his rent theory, there are no bases for (1) the creation or exaction of absolute rent, (2) the full appropriation of differential rent I, or (3) the formation and appropriation of differential rent II by Third World landlord governments, owners of the world's richest mines. This is so, the study maintains, because of the unique circumstances which apply to the present, and which had not, therefore, influenced Marx's theory. First, with respect to the mechanism of absolute rent, which is of a monopoly nature, while Marx conceived of landowners with absolute monopoly over land or natural resources, today's landowners, that is, Third World governments of minerals-exporting economies, do not have such an absolute monopoly over minerals and are not even organized in systematic and concerted action vis-à-vis capitalist mining entrepreneurs. Second, with respect to differential rent I, while the basis for the formation of this form of surplus profits exists in today's world mining sector, the competition between capitalist entrepreneurs envisaged by Marx does not apply in today's monopoly capitalism. Third, with respect to differential rent II, Marx's notion of the 'greater power' of landlords, which would allow them to impose short and frequently changed leases on capitalist entrepreneurs, is inapplicable in today's world mining sphere where Third World governments have been known to offer exploitation rights for up to 105 years.[1]

There are various contentious issues within Nwoke's thesis. The most obvious point of debate is that concerning the existence of absolute ground-rent within

[1] *Op cit,* Nwoke, *Third World Minerals and Global Pricing,* 1987, p. 9.

the contemporary mining industry. Fine suggests 'the rejection of a correct interpretation of Marx's rent theory requires a rejection of Marx's theory of capital in the absence of rent, at least in some of his aspects. Whilst it is true that many revisers of Marx's rent theory also revise his theory of capital (whilst misinterpreting both), there are others who believe that Marx's theory of rent needs to be revised to be consistent with his theory of capital'.[2]

Fine argues that the theory of ground-rent cannot simply be incorporated into the broader theory of monopoly rent because for the latter, the organic composition of capital in agriculture (or mining) is irrelevant for the determination of rent. Bryan, on the other hand, contends 'the application of Marxist value theory to land does not need a distinct theory of ground-rent'.[3] According to Bryan, 'If we subsume land ownership into capital, the need to differentiate rent from interest disappears, as does Marx's theoretical dilemma addressed above. Put simply, Marx's theory of rent is attempting to include a pre-capitalist conception of land into a theory of capitalist calculation (i.e., the law of value). It should not be surprising that it does not work'.[4] Both Fine and Bryan are correct, in a sense. There is no technical basis for the existence of absolute ground-rent as Marx characterised it according to nineteenth century conditions. However, this does not mean that the theory of absolute ground- rent should be subsumed into the broader theory of monopoly rent.

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[2] *Op cit,* Fine, 'On Marx's Theory of Agricultural Rent', 1979, p. 264.
[3] *Op cit,* Bryan, '"Natural" and "Improved" land in Marx's Theory of Rent', 1990, p. 180.
[4] *Ibid,* p. 180.

The key point in relation to the current analysis is that Nwoke's framework does not permit scope for an analysis of the material conditions within the semi-peripheral Australian social formation and the operations and consequences of transnational mining capital within its bounds. The material structures of extractive industry within the bounds of the Australian state are somewhat problematic for the framework he espoused. The first problem is that Nwoke's international division of labour did not permit scope for analysis of semi-peripheral economies. Australia is referred to as an 'advanced' country, grouped among those in the 'core' of the global political economy.[5] Moreover, one of the fundamental assumptions underpinning Nwoke's theoretical framework is that 'for the advanced countries, the era of cheap mineral discoveries has ended'.[6] This is what drives the struggle to appropriate rents from Third World host governments, according to Nwoke; advanced economies are reliant upon the high grade ores found in Third World countries to facilitate their continued industrialisation.

The Australian social formation does not fit within this generalised model. Wallerstein noted in 1976 that Australia was part of that 'old white Commonwealth' of the global semi-periphery.[7] Stephen Bell claimed in 1997 that the Australian export profile looked more like 'that of a Third World staples/resort economy than that of an advanced industrial economy, whose export profile is weighted much more towards high value-added manufacture

[5] *Op cit,* Nwoke, *Third World Minerals and Global Pricing,* 1987, p. 105.
[6] *Ibid,* p. 7.
[7] I. Wallerstein, *The Capitalist World Economy,* Cambridge University Press, New York, 1976, p. 465.

exports'.[8] During the long post-War boom, the contribution of manufacturing to GDP in Australia did not exceed by far 20%. Whereas Germany and Japan had contributions to GDP by manufacturing at 29% and 26% respectively in 1987, the year Nwoke published his seminal contribution to rent theory.[9] Australia poses an exceptional case in terms of the Nwoke's typology and prompts consideration of the significant distinguishing factors.

The methodological approach Nwoke advocates entails a global analytical scope in which multinational mining firms are involved in an antagonistic relationship with the governments of developing nations endowed with mineral wealth. Nwoke disavows the neoclassical 'bargaining model' which posits that trade contracts between multinational mining firms and host governments should favour the former until such times that the latter develops mechanisms to diminish investment risk. Following this, the host government achieves a better relative bargaining position for the renegotiation process and is then in a position to maximise their comparative advantage. According to 'bargaining model' theorists, the governments of developing nations with vast mineral endowments were expected to steadily improve their bargaining power due to the growing demand for industrial raw materials in the developed economies and by facilitating low-risk investment environments for mining firms. Evidently, the history of the global south from as early as the 1960s demonstrates the inadequacy of a model that assumes under-resourced

[8] S. Bell, *Ungoverning the Economy: The Political Economy of Australian Economic Policy,* Oxford University Press, Melbourne, 1997, p. 82.
[9] World Bank, 'Manufacturing, Value-added (% of GDP)', http://data.worldbank.org/indicator/NV.IND.MANF.ZS?page=5, viewed 27 January 2014.

governments of developing nations are on equal bargaining terms with multinational mining firms. In Nwoke's estimation, an extension of Marx's theory of ground-rent into the mining sector and encompassing the global political economy can address these shortcomings.

There are several issues that arise when Nwoke's framework is considered alongside the Australian context. First, the strict binary perception of the global division of labour does not permit scope for an examination of the Australian political economy because it does not belong to either the centre or periphery. Second, one of the two monopoly mining firms, BHP Billiton, is considered an Australian institution yet is majority foreign owned. Third, Australia's dependence upon its mineral exports places it in direct competition with developing minerals producing nations to attract investment. Fourth, Nwoke's framework rests upon the assumption that advanced capitalist economies seek to exploit third world minerals producing nations in order to secure raw industrial materials to fuel domestic industrial growth. Australia has hardly any domestic industrial sector with its manufacturing sector contributing 6.8% measured by gross value added (GVA) to its national accounts in 2014.[10] The labour statistics for the same period show that 77.7% of the Australian labour force is employed in the services sector.[11] Both these figures, representing de-

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[10] Australian Bureau of Statistics, *Australian System of National Accounts, 2013-2014,* 'Table 5. Gross value added (GVA) by industry', Cat. No. 5204.0, ABS Ausstats, viewed 28/4/15, http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5204.02013-14?OpenDocument

[11] Australian Bureau of Statistics, *Australian Labour Market Statistics,* 'Table 4. Employment Type: Employed persons by Sex, Full-time/part-time and Industry (ANZSIC 2006), November 2008—November 2013', Cat. No. 6105.0, ABS Ausstats, viewed 28/4/15, http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6105.0July%202014?OpenDocument

labourisation and industrial atrophy, have become features of most of the advanced capitalist economies. However, the industrial centres of the contemporary global capitalist political economy are still considered emerging economies and situated firmly in the global south. Thus it seems that in the three decades since Nwoke formulated his view, multinational mining firms have begun to reroute the minerals back to the global south whilst holding onto the profits these practices yield. Each of these issues associated with Nwoke's mineral rent theory must be reconciled within the current investigation of the Australian political economy.

The following excerpt highlights a key issue with Nwoke's theory of mineral rents,

> The limited mineral deposits at issue today are the low-cost, high-grade mines located mostly in the Third World. Because of the more rapid industrialization of advanced countries, their own high-ore grades have been more rapidly exhausted, compared to those located in Third World areas, that is, those in the periphery of the world capitalist system. For the advanced countries, the era of cheap minerals discoveries has ended; most of their new mines, apart from those in Third World areas, are in remote and difficult areas like Alaska, the North Sea, Siberia, and other off-shore areas.[12]

The significant points here relate to the aggravated depletion of mineral resources in advanced countries owing to greater relative industrialisation and also to the claim that the era of cheap mineral discoveries has ended in advanced capitalist countries. These claims do not hold true for Australia. First and foremost, there is little to suggest that the industrialisation that occurred in Australia throughout the long post-war boom significantly depleted the vast deposits of high grade ores discovered since 1945. Since the mid-1970s there has been a marked decline in the domestic manufacturing sector which has

[12] *Op cit,* Nwoke, *Third World Minerals and Global Pricing: A New Theory*, 1987, p. 27.

virtually negated demand for raw minerals. The Australian mining industry has been primarily geared toward export markets throughout the entirety of this period. Moreover, discoveries of new ore bodies, in conjunction with technological innovations that permit the profitable extraction of previously uneconomic deposits, continue to expand the scope of the export-oriented extractive sector. The destinations for Australian mineral exports are primarily located within the rapidly industrialising global south, or what Nwoke refers to as the periphery of the world capitalist system. There are certain incompatible aspects of Nwoke's theory in relation to the Australian context within the contemporary historical period.

This is unsurprising. Nwoke based his theory upon evidence from the global periphery in a historical period that could be characterised as the initial years of the long post-war boom. The industrial centres of the global economy were indeed situated within the advanced capitalist countries throughout this period and raw materials were supplied primarily by peripheral states. Since the end of the long boom, there has been somewhat of a gradual reversal in relation to industrialisation and the flow of raw materials. This is not to say that advanced states devolved and began relying upon primary resource exports to the emerging economies. Rather, in Australia's case, there has been a sense of continuity in regards to a reliance upon primary resource exports. What changed for Australia was the domestic consumption of its raw materials owing to a protracted structural adjustment which facilitated the contraction of its industrial sectors.

However, it was the changes to the global capitalist economy that most significantly affect the development of Nwoke’s theory. The global periphery has, since the end of the post-war boom, become the site of rapid insustrialisation and the primary source of demand for raw industrial materials. This development poses various issues for Nwoke’s framework. For the purposes of the current study, however, the analytical and theoretical focus will be upon the Australian context and its place within this new dynamic of global capitalist accumulation.

Revenues and Capital

This section draws on the work of David Harvey on ground-rent and specifically, his critique of Pierre-Phillipe Rey's contribution to this discourse. Harvey disavowed Rey's claim that ground-rent had no real basis within a purely capitalist mode of production and that it could be 'interpreted only as a relation of distribution which reflects a relation of production of pre-capitalist modes of production (e.g. Feudalism) with which capitalism is "articulated"'.[13] While Harvey accepts that ground-rent is a relation of distribution, he argues, contrary to Rey, that 'the appropriation of rent forms the basis for important coordinating functions, in particular the shaping of land uses and spatial configurations to the requirements of accumulation of capital and class reproduction'.[14]

Harvey argues that ground-rent and the struggle to appropriate it is an important aspect of the capitalist mode of production in the sense that it mediates the relationship between land and capital. Moreover, ground-rent becomes an important category for the study of how patterns of accumulation are instituted and how the mode of production is reproduced. Therefore, mineral rents, which are one expression of this category, take on a fundamentally important role in determining the character and composition of

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[13] *Op cit,* Harvey, 'Land Rent and the Transition to the Capitalist Mode of Production', 1982, p. 17.
[14] *Ibid,* p. 17.

the Australian social formation and do not merely represent an allocative mechanism for investment as the orthodox view would contend.

This argument, while important for understanding the debate with Rey, is not the most significant aspect of Harvey's theory for the current discussion. Rather, it is a particular aspect of Harvey's argument relating to the distinction between revenue and capital that concerns us here. This distinction was made by Marx in various writings but explicated most clearly throughout *Capital.* At its most basic, the distinction entails conceiving of different levels of abstraction. Revenue is a form of capital in that it is the form in which surplus value is expressed at certain points along the loci of circulation within processes of capital accumulation. A simple example would be wages: the wages bill for an individual capital represents variable capital upon payment; however, the same wages once received by workers can circulate as revenues when workers employ other sections of the working class to undertake household labour such as child care or gardening services. In this sense, the revenues are circulating within the working class while, strictly speaking, not taking on different forms of capital.

Marx sought to define revenues and capital in various ways. For example, in the *Grundrisse,* published ten years before the first volume of *Capital,* revenue was characterised as the 'part of surplus-value destined for immediate consumption'.[15] In the third volume of *Capital,* published by Engels after Marx

[15] *Op cit,* Marx, *Grundrisse,* (1857)1974, p. 733.

had died, revenue is designated as 'a portion of the value of commodity capital that is transformed into money' which is 'therefore the expression and result of genuine accumulation, though not productive capital itself'.[16] Although, the most substantive characterisation, and the one most polished by Marx in his mature work, is the one to be found in the first volume of *Capital.* Here, Marx explicates the function of surplus value as both 'a fund for satisfying the capitalist's individual consumption requirements' as well as 'a fund for accumulation'.[17] Whereby, 'one part of the surplus-value is consumed by the capitalist as *revenue,* the other part is employed as capital, i.e. it is accumulated'.[18] A footnote to the word revenue explains that the word is used 'in a double sense: first, to designate surplus-value, as the fruit periodically yielded by capital; and second, to designate a part of that fruit which is periodically consumed by the capitalist, or added to his private consumption fund'.[19] Revenue, then, is distinct from capital in that it is not productive of capital, or, simply, does not self-expand in the process of accumulation. Moreover, it should be understood that the circulation of revenues is distinct but not separate from the circulation of capital. That is, revenue forms an integral unity with capital in the sense that it is a portion of surplus-value but functions in opposition to it only in the strict sense that it is not productive of capital in and of itself. As Harvey's argument demonstrates the circulation of revenue is not only necessary for capital accumulation, it actively facilitates it.

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[16] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, p. 636.
[17] K. Marx, *Capital: A Critique of Political Economy, Volume I,* Penguin, London, 1976, p. 738.
[18] *Ibid,* p. 738.
[19] *Ibid,* fn., p. 738.

This much is relatively easy to understand and is not problematic in regards to the appropriation of rent. Harvey introduces the difficulty when he identifies that, 'once distributed, revenues are free to circulate in a variety of ways thereby creating opportunities for various secondary forms of exploitation, including rental appropriation'.[20] This means that 'rents can, therefore, just as easily be appropriated from the circulation of revenues as from the circulation of capital itself'.[21] The problem then arises in relation to analysing the production and appropriation of rent because the dynamics of the rent relation are framed in terms of capital but not in terms of revenue. This means that what may seem to indicate the movement of capital in the form of rent is actually on the plane of the circulation of revenues. The difficulty then is in determining how exactly a mineral rent in a particular period functions relative to the process of accumulation i.e. is the mineral rent at a given point in time and in a specific place capital or revenue? However, this is still not the most pressing issue.

The problem that Harvey identifies is that Marx's theory of ground-rent relates specifically to the circulation of capital and not to revenues. Therefore, Harvey notes that while the circulation of revenues is 'intricate in its detail', 'massive in scale' and 'much of the detail of what happens in bourgeois society has to be understood in relation to it', it would be a serious error to 'seek to explain that detail by reference to Marx's theory of the dynamics of the circulation of

[20] *Op cit,* Harvey, 'Land Rent and the Transition to the Capitalist Mode of Production', 1982, p. 22.
[21] *Ibid,* p. 22.

capital'.[22] As Marx sought to explicate the dynamics of capital accumulation within a frame of reference that took as its object of analysis the totality of the capitalist mode of production, it would be erroneous to apply this holistic methodology to the analysis of specific instances within that totality. The frame of reference required for such analyses is that of the circulation of revenues *in relation* to the circulation of capital.

This point is the key to Harvey's contribution to practical applications of Marx's theory of ground-rent. It rests upon the observation that the theory of rent expounded in *Capital* takes capital as its object of analysis and seeks to explicate the logic of capital accumulation. Marx's findings are therefore consistent with his aims but in order to extend the theory to an analysis of concrete situations, the frame of reference must accord with the scope of the theory. That is, the 'detail' must be explained through the circulation of revenues in relation to the circulation of capital. Or, in other words, 'Marx's theory of rent is partial because it deals solely with the circulation of capital and excludes any direct analysis of the circulation of revenues'.[23]

Consequently, the way forward, in terms of conceptual development and analysis of concrete problems, is to think 'of the ratio between two flows - of revenue and capital – and try to situate rent as a social relation of momentary appropriation from both flows (both capital and revenue) based on the mere

[22] *Ibid,* p. 23.
[23] *Ibid,* p. 24.

fact of land and property ownership'.[24] This is how, Harvey suggests, the social significance of rent, which is 'simply a money payment for the use of land and its appurtenances', can be explained by establishing 'the underlying forces that give social meaning to and fix the level of the rental payment' within a purely capitalist mode of production where 'these forces merit disaggregation into those which attach to the circulation of capital and those which relate to the circulation of revenues (while recognizing that the two circulation processes are dependent upon each other)'.[25]

[24] *Ibid,* p. 24.
[25] *Ibid,* p. 25.

Systems of Provision

It has been suggested thus far that in order to advance the tautological theory of rent found in orthodox economics there must be a development of the theory which engages with the social function of rent beyond simply an allocative mechanism for investment. Nwoke's theory of world mining rents was examined to suggest the flows of rent across the global minerals industry may be best explained within the context of the dynamics of capital accumulation where the negotiations between multinational mining firms and host governments are determined by the struggle to appropriate mineral rents. Following this, Harvey's critique of Rey was discussed to highlight the need to incorporate an analysis of the flows of revenues as distinct from, though in relation to, the flows of capital. The research gap evident in orthodox rent theory relates to its use as a purely allocative mechanism determining investment of capital without considerations of social function or benefit.

This can be addressed by broadening the scope of the analysis to include the global flow of mineral rents as mediated by the class struggle to appropriate surplus value in the form of mineral rents evident in the negotiations between multinational mining firms and host governments. The contours of this struggle are borne out in the circulation of revenues in relation to the circulation of capital. The question still remains though of how such an analysis can be carried out. Here the work of Ben Fine in relation to systems of provision offers some suggestions.

An important observation made by Harvey in the previous section related to an analogy between urban housing rents and differential rents on capital. According to Harvey, 'properly structured rents on working class housing could then have the effect of equalizing the real wage to workers at different locations (the analogy with differential rent on capital is exact)' which would mean that the 'relationships between land and property rent, transport availability and cost, then come into play'.[26] Due to the nature of Harvey's specific critique of Rey, he did not venture any views on the type of analytical devices that could be used to explore these subsequent questions. It is suggested here that the work of Fine on 'systems of provision' is well suited to this task.

In his attempt to move toward a general theory of mining, Fine argues that there is a need to distinguish between what are termed 'systems of provision' in the analysis of determinants of consumption.[27] These systems of provision are 'distinct structures and processes connecting production to consumption [to] form an integral unity, linked by the intermediate activities such as distribution, retailing, design, and preference formation through material culture'.[28] The break Fine makes with orthodox theories that attempt to explain production and consumption is the emphasis on vertical rather than horizontal integration. As Fine notes, 'most of the theories to be found across the social sciences…tend to seek general explanations of production or consumption, etc which apply

[26] *Ibid,* p. 24.
[27] *Op cit,* Fine, 'Coal, Diamonds and Oil: Toward a Comparative Theory of Mining?', 1994, p. 279.
[28] *Ibid,* p. 279.

across a range of, if not all, sectors of the economy without recognizing how each is differentially attached to specific systems of production'.[29] Therefore, to construct a general theory of mining in accordance with the approach based on systems of provision entailing an emphasis on the vertical integration of determinants of production and consumption, 'it would be necessary to consider mining in the context of the upstream activities to which it is attached'.[30]

It is through utilising this approach that Fine concludes that 'cartelization through distribution and/or marketing is associated with a vertical displacement of the rent relation – common, for example, in access to credit in some forms of agriculture'.[31] This effectively means that land owners are no longer the ones able to appropriate surplus profitability, or mineral rents, 'associated with capital intensive accumulation' because 'this accrues to the cartel through its command over producers because of its exclusive access to markets'.[32] This finding poses considerable problems for both the orthodox and heterodox theories of rent as it implies a movement of the rent relation along a vertical axis of integration. That is, if the theory of mineral rents is to be developed to explain contemporary contexts, it must take into account the vertical displacement of the rent relation within the systems of provision as outlined by Fine.

[29] *Ibid,* p. 279.
[30] *Ibid,* p. 280.
[31] *Ibid,* p. 299.
[32] *Ibid,* p. 299.

This chapter has posed a critique of orthodox accounts of mineral-rent which suggest that the concept is useful only in the sense that it acts as an allocative mechanism for investment. This view accords with the Classical and Neoclassical theories of rent, namely the theory of differential ground-rent developed by Ricardo, and also with the Neoclassical methodology concerned with optimising efficiency under the auspices of the scarcity postulate. It has been argued that the current dominant expression of this line of thought can be positively developed by way of critique through the broad school of historical materialism and specifically through a synthesis of the approaches forwarded by Nwoke, Harvey and Fine. Nwoke's extension of Marx's theory of ground-rent to analyse global flows of mining rents as expressed in the negotiations between multinational mining firms and host governments permits the integration of an analysis of the Australian context into the global circuits of capital accumulation. Within this totality, Harvey's emphasis upon the need to examine revenues as distinct albeit in relation to capital opens up the field of analysis within which to ground the study of mineral rent expressed as a form of capital. Finally, the work of Fine on vertically integrated systems of provision displacing the rent relation into upstream activities provides the analytical device to unify the global and the domestic, the abstract and concrete.

Part III

Transnational Mining Capital, the Neocomprador Fraction of the Bourgeoisie and the State

Chapter 6

The Historical Development of Landed Property in Australia

This chapter will examine the development of the form of landed property on the Australian continent in historical perspective. Such a task is a necessary step toward the construction of a modern theory of mineral-rent that is able to explicate the social signification of rental payments for the use of mineral-lands. As Fine has aptly noted, 'a prerequisite for the development of a theory of mining and the revenues that it generates is an examination of the empirical form of landed property that it confronts'.[1]

This is so because rent is the economic expression of a class antagonism, one which acts as a barrier to the accumulation of capital across particular spheres of industry. In order to accurately identify the character and function of landed property within the contemporary Australian social formation, its historical development needs to be explored within the context of the evolution of the capitalist mode of production globally. This is important because the form of landed property in the contemporary period and its relationship to capitalist production is what determines the creation and distribution of mineral-rents as well as broader patterns of capital accumulation. The following discussion will briefly examine the form of landed property prior to the European invasion beginning in 1788. It is this transition from the communal ownership of land to

[1] B. Fine, 'Landed Property and the Distinction between Royalty and Rent', *Land Economics,* Vol. 58, No. 3, August 1982, p. 349.

that of landed property which sets the basis of all future forms of land ownership.

Ground rent is the 'autonomous, specific economic form of landed property on the basis of the capitalist mode of production'.[2] It is a money payment that conceals the social relations underpinning it. Moreover, it represents the relationship between landed property and the other classes of a given social formation. The form of landed property has evolved in Australia along with the development of the primary mode of production. Prior to the European invasion, the indigenous population lived according to conditions determined by what has been described as the 'Aboriginal mode of production'.[3]

Two features that are of particular significance for the current study marked this traditional mode of production. First, as Rose has noted, the 'outstanding feature of the traditional mode of production of the Aborigines was its basic uniformity throughout the continent'.[4] Second, the system of property in land, landed property, was characterised by communal ownership and also, importantly, by an owner/manager division. The conceptual unit used to describe this system of landed property is that of the 'patrilineal, land-owning local group'.[5] The concept has its limitations but is sufficient as a descriptor of the most salient features of this system of landed property. To quote Rose again, 'The omnibus term used here is quite clumsy, but it is retained as the group's

[2] *Op cit,* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, p. 762.
[3] F.G.G. Rose, *The Traditional Mode of Production of the Australian Aborigines,* Angus & Robertson, Sydney, 1987, p. xiv.
[4] *Ibid,* p. 191.
[5] *Ibid*, pp. 129-151.

patrilineal nature, its land-owning characteristic, and its territorial limitations or finiteness (its estate) are to be stressed'.[6]

These two features, of uniformity of production relations throughout the continent along with an owner/manager division within a framework of communal landed property, distinguished the traditional mode of production from those which emerged after 1788. Of particular significance for the current examination is the division of the owner and manager functions of traditional landed property. An insightful description of how this division worked in practice with regard to rituals is found in the observations of the Dalabon Aboriginal group by Maddock, who noted that the group spoke of:

> a relation between *gidjan* and *djunggaiji.* It is convenient to follow the Aboriginal English use of 'owner' and 'manager' for these terms...In the religious cults, of which the Gunabibi and Jabuduruwa are the most often performed, men wear designs and execute dances associated with a place visited by a power who crossed their clan estate. This place is symbolically the location of the performance, and the dancer is said to be 'sitting down' there, even when, as is usual, he is far away. To wear a design, perform a dance and 'sit down' at a place require the permission of a manager. He decides upon the place, selects a design and paints its outline on the owner's body, and stipulates the dance to be executed, if need be instructing the owner in the steps.
>
> A man enjoys managerial rights over a place, and hence over the associated designs and dances, if his mother or father's mother belonged to the clan within whose estate it is located. He calls the place 'mother' or 'father's mother'. Exogamy and other marriage rules work to prevent a man from belonging to a clan whose places he manages, or from belonging to the same [totem] species. He is of the species of the clan into which his mother or father's mother married. The significance of the owner and manager relation may be appreciated from the fact that as the religious cults must include a large number of clan rites, they can be held only if a sufficient number of managers authorise a sufficient number of owners. The authority exercised by managers has not given rise to a social hierarchy, because every man is an owner in some contexts and a manager in others. Thus owners in the Gunabibi are managers in the Jabuduruwa and owners in the Jabaduruwa are owners in the Gunabibi.[7]

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[6] *Ibid*, p. 133.

[7] K. Maddock, *The Australian Aborigines: A Portrait of their Society,* Allen Lane, London, 1972, p. 36.

There exists a definite division of labour with regards to the system of landed property here which solves the problem of antagonistic relations developing, owing to the fact of ownership of land. More importantly though, for the purposes of the current discussion, this system of landed property highlights the division of labour inherent to the notion of landed property itself. Thomson gives another example of this division in practice, this time in relation to the concrete productive activity of burning grass as part of a communal hunt:

> The actual burning of the grass is directed by the old men of the clan, or by others who have an hereditary right, especially by men of other clans who stand, under the kinship system, in the relationship of *wäkku* (son, woman speaking; sister's son, man speaking) that is, men to whom the clan is *yindipulo* [that is, the mother's clan]. Such men are necessarily members of the opposite [patrilineal] moiety, and to those unfamiliar with the people, they appear to usurp the authority, to dominate the affairs, of clans to which they do not belong. But it is part of the traditional behaviour in this area, that certain people of *dua* moiety carry out some of the ritual tasks for members of certain clans of *yiritja* to reciprocate for *dua.* The foregoing account applies to the organisation of most communal enterprises such as large scale fishing drives, where the technique is related to local conditions, and therefore has a localised background. In such cases the practice is regarded as traditional, as a part of the pattern or heritage which has been passed to the clan by its founders, the totemic ancestor or ancestors, and which is therefore the special right or privilege of its members. Such traditional rights are invariably recognised and respected by other clans and are rigidly enforced, so that any violation may lead to punitive measures and even result in an inter-clan feud. And since the procedure is well understood by all participants, differences or disputes rarely, if ever, arise, and control or authority is not apparent. Most of these enterprises run so smoothly that only those who know the people and understand the social organisation would be aware of the identity of the man in authority.[8]

Ownership of land does not necessarily mean control over its use. It is this division inherent to landed property that provides the basis for a distribution of rents beyond one party. As such, this theme of ownership and control, of owner and manager, will inform the examination of the form of landed property which evolved after 1788.

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[8] D.F. Thomson, *Economic Structure and the Ceremonial Exchange Cycle in Arnhem Land,* Macmillan & Co., Melbourne, 1949, pp. 17-18.

The owner/manager division of labour in the system of landed property was complementary in the traditional mode of production. This complementarity enabled the Aborigines to circumvent the potential antagonism stemming from the ownership of land to the exclusion of others. This antagonism arises in modes of production which enable the production of a surplus. From 1788, the emergence of the capitalist mode of production, which is dependent upon the continuous self-expansion of capital, would determine the nature of this antagonism. The contemporary form of landed property entails a division of labour in which the state, along with indigenous landowners, constitute the owners while neocomprador capitals constitute the managers. The relation between these groups is still one of symbiosis, in the sense that each cannot exist without the other. However, as they now function within a mode of production which not only produces a surplus, but relies upon this constant production of surplus-value for its existence, the owners and managers are also engaged in an antagonistic relation competing for shares of rent.

This system was usurped by an ad hoc and transitory system of class relations which reflected the changing nature of the social formation from which it came. The British penal colony of the early colonial period grafted forms of slavery, feudal indentured servitude and the emerging capitalist mode of production as it appeared in northern Europe at the time. By the end of the nineteenth century, the social formations within the Australian colonies were primarily driven by a capitalist mode of production. Indeed, by 1890, Victoria and New South Wales could have been characterised as operating under a purely capitalist mode of production with its attendant class relations. That is, a proletarian class existed in opposition to a colonial bourgeoisie, with a petty-bourgeoisie alongside it. Moreover, the capitalist class was able to be differentiated according to fractions, such as manufacturing, rural and financial, and categories, such as national, comprador and imperialist sectors.[9] As it is the complex interactions between these classes, their attendant fractions and categories that determine the form of landed property, the analysis of ground rent in its historical context must begin with the analysis of class formation and reproduction as generated by the accumulation of capital.

Landed property is simply the prevailing social form of ownership as it relates to land. Whatever the generalised relation is between humans and things within a given society as specific to the relation between humans, land and its appurtenances. In Australia, we can distinguish three general periods which entailed a unique form of landed property in accordance with the prevailing mode of production. The first and longest period was that of primitive communism where the indigenous peoples were custodians of the land. Second came the period of semi-feudal and slave-based modes of production which marked the initial era of European occupation after 1788. Finally, after 1890, the form of landed property would accord with the purely capitalist mode of production that dominated the social formations emerging within and across the colonies.

[9] H. McQueen, 'Class and Politics II', *Labour History,* No. 32, May 1977, p. 92.

There is some disagreement regarding the distinction between the final two periods. It has been argued that the capitalist mode of production prevailed from the moment the British occupation began in 1788. A compelling example of this argument is presented by Humphrys. This considered position posits the existence and dominance of the capitalist mode of production within the colonies from the landing of the first fleet because of the direct links to the emerging, although fully capitalist, mode of production in England at the time. As Humphrys states, the colonies 'were capitalist from the start because they were part of British capitalism and the world market through the web of social relations comprising the penal state and imposed by it'.[10] This logic, while convincing, denies the historical specificity of the capitalist mode of production and therefore reifies a concept which was yet to cohere.

The capitalist mode of production, arguably, is denoted, in the final analysis, by the self-expansion of capital. Upon this fundamental prerequisite are the huge and complex processes that facilitate the creation and appropriation of surplus value in the production of commodities. Capital was certainly present in the colonies from 1788. It lay dormant in the tools, machines, seeds and muscles of the soldiers, convicts and settlers. It may have even begun to self-expand once aspects of the capitalist mode of production such as waged-labour, landownership and credit coalesced in commodity production after convict labour became waged post-1840, or during the 1850s gold rush or even once the railway rush had facilitated capital and labour mobility from the 1860s. But

[10] E. Humphrys, 'The Birth of Australia: Non-capitalist social relations in a capitalist mode of production?', *Journal of Australian Political Economy,* No. 70, Summer 2012/13, p. 127.

it did not become the prevailing mode of production, determining the primitive communist, feudal and slave-based modes of production existing alongside it, until at least 1890. To argue that capitalism emanated from Arthur Phillip's left boot is to remove the historical from the materialist.

This debate is important for considerations of the form of landed property throughout Australian history. To assert that the capitalist mode of production prevailed from 1788 means that the social relation concealed beneath the rental payment for land has fundamentally been the same throughout the entirety of European-Australian history. This is a problematic position. The form of landed property has undergone qualitative changes in accordance with key ructions in the juridical, economic and class structures of the Australian social formation within the context of the global capitalist mode of production.

It is to these events that the discussion will now turn. This debate has ramifications for the formation and distribution of ground-rent, and mineral-rents in particular, throughout the history of the Australian social formation since 1788. To claim that the capitalist mode of production prevailed from the outset is to deny the existence of absolute rent as a manifestation of the class conflict between capital and landed property. That is, absolute ground-rent would never have existed in the Australian colonies if the capitalist mode of production prevailed from the beginning rather than emerging from a slave-based and feudal mode. This issue will be broached in relation to the class conflicts surrounding the land reform movement culminating in the Robertson Land Acts of 1861 in NSW.

The first significant episode to craft the form of landed property in Australia was the European invasion. This event dislocated the relatively harmonious relation between the people who occupied the country and the land. After this, the passing of the Robertson Land Acts fundamentally altered the emerging form of landed property developing alongside the capitalist mode of production. Federation, Native Title and Wik altered the juridical structure of landed property albeit within definite economic relations.

The form of landed property prevailing on the Australian continent prior to 1788 was one of primitive communalism. The indigenous population did not have a system of private property and were therefore not afflicted by the class antagonism inherent to the feudal, slave-based and capitalist modes of production which would come to dominate their social formation. Although early colonial history was one of invasion and progressive domination, the contingency of this outcome must be emphasised. There was no linear progression from the primitive communalism of the traditional mode of production to the purely capitalist mode of production seeking out spaces for expansion from abroad. One index of this contingency is the nature by which 'native title' was seen to be extinguished. Justice Brennan of the High Court of Australia handed down the following deliberation in the 1992 Mabo case,

> As the Governments of the Australian Colonies and, latterly, the Government of the Commonwealth, States and Territories have alienated or appropriated to their own purposes most of the land in this country during the last 200 years, the Australian Aboriginal peoples have been substantially dispossessed of their traditional lands. They were dispossessed by the Crown's exercise of its sovereign powers to grant land to whom it chose and to appropriate to itself the beneficial ownership of parcels of land for the Crown's purposes. Aboriginal rights and interests were not stripped away by operation of the common law on first settlement by British colonists, but by

> the exercise of a sovereign authority over land exercised recurrently by Governments. To treat the dispossession of the Australian Aborigines as the working out of their Crown's acquisition of ownership of all land on first settlement is contrary to history. Aborigines were dispossessed of their land parcel by parcel, to make way for expanding colonial settlement. Their dispossession underwrote the development of the nation.[11]

Terra nullius was discovered and imposed, not received. The evolution of the prevailing form of landed property on the Australian continent was not a technical fact but a complex historical process tempered by fortuitous circumstance and ambivalence reconciled at spear and gun-point. Had the dispossession of arable land at Parramatta not proven fruitful, Arthur Phillip's army of slaves may not have been fit to begin the expansion of the penal colony of NSW.

The next significant episode in the development of landed property on the Australian continent occurred after the gold rushes of the 1850s. Primitive accumulation of capital was facilitated by land-based export-oriented commodity production and this paved the way for the mobilisation of an antipodean bourgeoisie. The following ballad from the 1860s provides a salient description:

> Ye sons of industry, to you I belong…Now the Land Bill has passed and the good time has come…Now the land is unfettered, and we may reside In a home of our own by some clear waterside…Where industry will flourish and content will smile…We will plant our garden and sow our own field, And eat from the fruits which industry will yield…Though those that have ruled us the right long denied.[12]

The land reform movement, which culminated in the passing of the Robertson Land Acts, was a watershed moment in the development of the form of landed

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[11] F.G. Brennan, *Mabo (and others) v The State of Queensland, no. 2*, 1992, High Court of Australia 23, 175 Commonwealth Law Reports 1, S. 82, viewed 6/7/2015, http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/high_ct/175clr1.html?stem=0&synonyms=0&query=~mabo

[12] Anonymous, 'The Free Selector: A Song of 1861', in B. Wannan, *The Australian,* Melbourne, 1954 (1861), p. 221.

property in Australia. This legislative reform signified a shift in the balance of class forces within the colonies. The social formation existing within the bounds of the Australian continent is, from this conjuncture, determined primarily by the capitalist mode of production.

The land reform movements in Victoria and NSW in the early 1860s has been explained in terms of an initiative by the colonial state to create a class of small landed proprietors, or petit-bourgeoisie. This view certainly pervades much of the scholarship concerned with this episode.[13] Such a view, however, is misguided because it does not accord with the historical evidence. The land reforms were in fact a measure affected by an emergent class of industrialists gaining strength in the cities of Sydney and Melbourne who were manifestations of the self-expansion of capital after the gold rushes in the 1850s. The aim of the reforms was not to revert to some plantation style yeomanry situation but rather to break the monopoly on land held by the class of squatters in order to permit the entry of capital to land as a sphere of capitalist production. As Baker argues, the Robertson Acts 'were not a piece of social engineering designed to put small settlers on the land; but rather, that they were designed to attack the privileges of the squatters in accordance with the liberal ideas of laissez-faire and equality of opportunity'.[14] The details of this historical episode are not

[13] See, for example:
T.A. Coghlan and T.T. Ewing, *The Progress of Australasia in the 19th Century,* Linscott Publishing Co., Toronto, 1903, pp. 55-56; E. Scott, *A Short History of Australia,* Oxford University Press, London, 1937, p. 221; R.M. Crawford, *Australia,* Hutchinson University Press, London, 1957, p. 128; F.L.W. Wood, *A Concise History of Australia,* Dymock's, Sydney, 1944, p. 221.

[14] D.W.A. Baker, 'The Origins of Robertson's Land Acts', *Historical Studies: Australia and New Zealand,* Vol. 8, No. 30, 1958, p. 179.

important in the sense that it would be required to mount a detailed inquiry. Rather, the significance of this episode lies in the desire for and potential to mobilise organised sections of an industrial bourgeoisie against the landed interest of the colonies. This class mobilisation signifies the historical point at which capital confronted a barrier to its accumulation across all spheres of the economy and utilised the state in order to remove this obstacle to accumulation.

The ownership and control of mineral resources in Australia is vested in the government of the state or territory in which they are found. What this means is that governments, rather than private landholders, determine the basis on which mineral exploration and production occurs in Australia.[15] Therefore, in regards to the question of how the mining industry affected the evolution of the broader political economy, the implications in relation to federalism are profound. Rather than contending capitalist landowners deriving differentiated rents according to the grade of minerals under their ownership and control, it then becomes an issue of competition between states based upon the comparative advantage of the royalties they appropriate. This peculiar arrangement in Australia then demands a rearticulation of the conceptual framework regarding land rent because the framework advanced by Ricardo, Mathus and Mill, was concerned with a semi-feudal system of land ownership engaged in petty commodity production.

[15] M. Crommelin, 'Federal-Provincial Cooperation on Natural Resources: A Comparative Discussion of Problems and Solutions', *University of Melbourne Law School Papers on Federalism,* Melbourne, MUP, 1985, p. 3.

The precedents set around the issue of native title from 1992 introduced another peculiarity to the form of landed property in the contemporary period. Strictly in the juridical sense, this precedent permitted entry to another group of people into the contest for the appropriation of surplus value in the form of ground-rent. Here the distinction between revenues and capital is significant. If the categories of revenue and capital are conflated, it could appear that indigenous communities who are privy to so-called rents from the sale of mining rights are in fact constituents of the modern form of landed property in Australia. This could be accurate if the vantage point of the analysis was static. However, from a dynamic view point, mineral-rent as capital may be distributed to indigenous claimants at the initial stage of contractual agreement, but it does not continue as capital. Native titleholders, therefore, do not qualify as part of modern landed property because they cannot effectively act as a barrier to the flow of capital onto land. Their juridical tenure permits them to gain some form of revenue but hey do not mitigate, effectively, the flow of capital onto land. To this end, native titleholders will be largely exempt from the analysis in this study.

This chapter has suggested two things. First, the modern form of landed property in Australia draws its key features from various historical developments. After the European invasion of 1788, squatters effectively became an antipodean form of semi-feudal landed property. Their function in the emerging social formation was determined by the social progress of capital, or lack thereof. It was not until the influx of capital and labour after the 1850s gold rushes that any meaningful initiative to temper the political and economic power of the squatters took form. The land reforms from the 1860s signalled the mobilisation of an emergent industrial bourgeoisie allied to the colonial working class under the auspices of bourgeois liberalism. It was from this point that the capitalist mode of production became the motive force on the continent. The subsumption of landed property into capital as a fraction begins from this historical conjuncture also. Federation codifies the juridical relations which reflect the new class dynamics and the struggle to acknowledge Native Title permits access to revenues but not control of capital.

Second, the vital distinction between ownership and control within landed property has been established with reference to the complimentary relation witnessed in the traditional mode of production. This is a critical concept for the current study. The core thesis of this dissertation revolves around the distinction between the state, as owner, and the neocomprador fraction of the bourgeoisie, as manager. The modern form of landed property splits these functions and permits the appropriation of rent according to their ability to act as a barrier to the flow of capital onto land. The next chapter will elaborate this point by exploring the character and function of this class fraction within the context of the historical development of the Australian mining industry.

Chapter 7

The Neocomprador Fraction of the Bourgeoisie in Australia

This chapter examines the formation and social reproduction of the manager component of modern landed property, the neocomprador fraction of the bourgeoisie. The aim of the following discussion is to trace the evolution of a comprador bourgeoisie throughout the period of Australian colonial history up to the present conjuncture. Before proceeding it is necessary to make some qualifying remarks. First and foremost, this chapter is ultimately concerned with the formation and evolution of a *comprador-bourgeoisie* rather than a group of comprador capitalists or individuals who function as compradors. The distinction is analytically important. Comprador capitalists are those compradors who own the means of production and personify the relentless self-expansion of capital. Compradors are those who function as intermediaries, facilitating the accumulation of capital between domestic circuits of production and the global circuits of accumulation; they act as active conduits of capital accumulation across national boundaries. The bourgeoisie, however, includes the strata of non-owners of the means of production who help make the expropriation of surplus value possible.[1] In this sense, a *comprador-bourgeoisie* is the dominant fraction of the ruling class in a given historical epoch that determines the general structure, pattern and velocity of

[1] *Op. cit.* McQueen, 'Class and Politics II', 1977, p. 92 fn.

capital accumulation within a particular social formation in relation to the global totality of the capitalist mode of production.

The use of the term *comprador* in relation to historical and political economic analysis of the Australian social formation is usually descriptive and almost always in reference to a bygone era. That is, the term is not considered relevant or worthy of examination in relation to contemporary issues. Moreover, the term remains an almost arbitrary characterisation of a passive functionary facilitating the needs of foreign capital. It is proposed here that the comprador bourgeoisie as an analytical category and as powerful social class has evolved beyond its previous incarnations in accordance with fundamental developments within the patterns of capital accumulation both at a domestic level and globally. As such, to heed the words of Engels, 'It should go without saying that where things and their mutual relations are conceived not as fixed but rather as changing, their mental images, too, i.e. concepts, are also subject to change and reformulation; that they are not to be encapsulated in rigid definitions, but rather developed in their process of historical or logical formation'.[2]

[2] F. Engels quoted in *Op. cit.* Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, p. 103.

What is a (Neo)comprador Fraction of the Bourgeoisie?

The word "comprador" derives originally from the Latin *com-parare* (*com* – with; *parare* – provide). Sometime between the 3rd and 7th centuries, otherwise known as the period of Late Latin, *com-parare* became *comparātor* which approximates to "a purchaser" in contemporary English. After the collapse of the Western Roman Empire within the Iberian Peninsula around the 5th century, *comprador*, appears in the Galician-Portuguese as well as Spanish languages meaning *comprar* (agent) *-dor* (to buy), and "buyer", respectively. After the acquisition of Macao by Portugal in 1557, the term *comprador* gradually evolves from the title of the Chinese servants selling goods on behalf of the Portuguese merchants to broadly characterise natives of the Indian and Asian regions who performed various functions, namely commercial, for their European masters.[3] Richard Cocks, the head of the British East India Trading Company trading post in Hirado, Japan, noted in his diary on 9 July 1615, 'I understand that yesterday the Hollanders cut a slave of theirs apeeces for theft, per order of justice, and thrust their *comprador* (or cats buyer) out of dores for a lecherous knave, who, with hym that is dead, have confessed of much goods (as cloves, mace, pepper, and stuffs) which are stolne per consent of Jacob Swager'.[4] The *Hobart Town Courier* in 1828 reported that a comprador functioned simultaneously as a linguist and cash keeper.[5] In 1840, during the First Opium War, Major Armine S.H. Mountain lamented the fact that 'About 10 days ago, however, the Chinese,

[3] M. Bergere, *The Golden Age of the Chinese Bourgeoisie 1911-1937*, Cambridge, Cambridge University Press, 1989, pp. 38-39.
[4] R. Cocks and E.M. Thompson (ed.), *Diary of Richard Cocks,* London, Hakluyt Society, 1883, p. 19.
[5] Anonymous, 'The Canton Register', *The Hobart Town Courier,* 13 September 1828, p. 3.

having kidnapped our Compendor…which was a great object to us, as he was an active man, and the only Chinese who had come forward to serve us'.[6] After the signing of the Treaty of Nanking in 1842 the term *comprador* begins to appear more frequently in the Chinese lexicon to describe the Chinese servants to Western merchants called Mǎibàn that were exploited as house servants or as ship's chandler.

It was the function of the Mǎibàn to facilitate business dealings between the Cohong, the Chinese monopolies licenced by the imperial authorities to trade with the West, and the Western monopoly companies that set up warehouses in Macao and Canton seeking entry to Chinese markets and resources.[7] The Mǎibàn were also tasked with keeping 'in surveillance the conduct of the merchant and report any misgivings to the authorities'.[8] Evidently, the Qing dynasty viewed foreign merchants with a high degree of suspicion. In 1729 reports from the Guandong province noted that 'merchants from all over China as well as foreign barbarians are constantly voyaging to and fro with their goods to trade' and over a century later, Qishan, the Manchu Commissioner during the first Opium War, lamented that the people of Guangdong 'dwell indiscriminately with foreigners…the utmost intimacy has grown up between them'.[9] In more recent times, this "intimacy" has manifested in what Gao describes as the new "comprador class", composed mainly of the children and protégés of political

[6] Armine S.H. Mountain quoted in Mrs. Armine S.H. Mountain (ed.), *Memoirs and Letters of the Late Colonel Armine S.H. Mountain, CB: Aide-de-camp to the Queen and Adjutant-General of Her Majesty's Forces in India,* Longman, Brown, Green, Longmans & Roberts, London, 1857, p. 173.
[7] J. Heartfield, 'China's Comprador Capitalism is Coming Home', *Review of Radical Political Economics,* Vol. 37, No. 2, p. 199.
[8] C.W. Kwan, *The Making of Hong Kong Society,* Oxford, Clarendon, 1991, p. 55.
[9] *Ibid,* p. 10.

elites, which emerged during the 1990s.[10] This new class of Mǎibàn is distinct from that which constituted the third of the three old mountains oppressing the Chinese people prior to 1949: imperialism, feudalism and comprador bureaucratic-capitalism.[11] It is obvious that a clear distinction exists between the social formations that facilitated the rise of the "old" compradors under the Treaty-system and that which spawned the "new" compradors drawn from the ranks of the political elite. Nonetheless, it is instructive to focus on the similarities between these groups. As Gao notes, the compradors, new and old, are not 'independent merchants', have become the *nouveaux richés*, purchase status through self-appointed titles such as *daotai* (upper-middle rank officials during Qing China) and representatives of the National People's Congress, and choose to educate their children in Western institutions.[12] The significant commonality though is surely that 'China's political, business and intellectual elites are acting on behalf of transnational interests and to benefit themselves in the process'.[13]

It is clear from the etymology of the term and from its historical usage that *comprador* denotes a native agent who performs various duties on behalf of foreign interests. But this analysis is concerned with developing the concept of *comprador bourgeoisie.* As such, the discussion must now turn to issues of class analysis.

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[10] M. Gao, *The Battle for China's Past: Mao and the Cultural Revolution,* London, Pluto Press, 2008.
[11] *Ibid,* p. 152.
[12] *Ibid,* pp. 184-5.
[13] *Ibid,* p. 182.

Marx's exposition of class in *Capital* amounted to less than two pages[14] not just because he died before completing the project but because the historical materialist methodology he practiced meant that class was not a static category but rather an evolving social relation which could only be approached dialectically. That is, following Connell, class analysis should be approached through a generative theory which takes as its object of analysis the dynamics of the capitalist mode of production which 'generate a huge and complex historical reality'.[15] Moreover, such an analysis should focus on the 'processes producing social groupings, rather than the categories they produce; and on the activity of people, not merely their location in space'.[16] The following investigation will attempt to develop a concept of a comprador bourgeoisie in Australia through analysing the dynamics of capital accumulation which gave rise to it.

There is nothing new about labelling sections of the Australian ruling class 'comprador'. Throughout vast tracts of Australian historiography, this term has been used to describe the dependent fractions of the bourgeoisie who facilitate the accumulation of capital within Australia through catering to the needs of foreign capital. A few pertinent examples will suffice to demonstrate the way in which this term has been used. In this section, the extant scholarship employing the concept of comprador bourgeoisie will be surveyed in relation to the

[14] While Marx and Engels alluded to classes in various instances within their journalistic and polemical works, the analysis of classes in *Capital* amounted to a page and a half in volume 3. Chapter 52 entitled 'Classes', asks two questions: 'what makes a class?'; and, 'what makes wage-labourers, capitalists and landowners the formative elements of the three great social classes?'. The point here is that the conception of class was embedded within the entire preceding analysis of the capitalist mode of production which Marx and Engels had developed over their lifetimes.
Op. cit. Marx, *Capital: A Critique of Political Economy, Volume Three,* 1981, pp. 1025-1026.
[15] *Op. cit.,* Connell, *Ruling Class, Ruling Culture,* 1977, p. 5.
[16] *Ibid,* p. 5.

scholarship that dismisses the use of the concept as ill-informed and problematic. The relevance of a 'comprador-bourgeoisie' as an analytical category has been a contentious issue in past discussions of the Australian political economy. Analyses which employ the term and seek to frame their explorations of Australian capitalism within the context of comprador class formation and mobilisation have been associated with a 'radical economic nationalist' approach to political economy. This approach is broadly identified as 'Australian dependency theory' and is linked to the radical dependency theorists concerned with core/periphery relations and social development.

Kaptein argues that the comprador class lost its power base but does not attempt to build on the theorisation of the concept or articulate any explanation of comprador class formation. The class is simply assumed and its function within the dynamics of capital accumulation, not explained.[17] Tsokhas and Nowicki offer a theory of comprador class formation following Mao Tse Tung and Nicos Poulantzas. Their analysis looks to comprador finance and mining capital throughout the post-war period in Australia within the context of global circuits of capital accumulation characterised as dominated by monopolising US-based capitals (imperialism). Here the goal is to outline the contours of Australia's dependent development in the context of US-led imperialism. The examination of the context does not however trace out in detail the mechanisms

[17] E. Kaptein, 'Neo-Liberalism and the Dismantling of Corporatism in Australia', in H. Overbeek (ed.), *Restructuring Hegemony in the Global Political Economy: The Rise of Transnational Neo-liberalism in the 1980s,* Rutledge, London, 1993, p. 91.

by which a comprador bourgeoisie was able to form or reproduce itself in the context of dependent capital accumulation.[18]

Cottle takes up the theorisation of Tsokhas and Nowicki through an examination of the comprador landlords in the NSW countryside during the interwar period. Cottle puts forward a novel account which draws on political and economic dimensions of power as well as manifestations of class formation in art. Here we have a more nuanced approach albeit similarly limited in scope by the difficulties outlined in relation to the Nowicki and Tsokhas analysis.[19]

Bryan contends that the preoccupation of economic nationalists with transnational corporations undermining national political and economic sovereignty lends to the use of the concept of a comprador bourgeoisie as a domestic representative of foreign capital. As such, the concept of a comprador bourgeoisie is at best redundant and at worst obfuscates critical analysis. This is due to a problematic understanding of the dynamics of capital accumulation in the contemporary era, namely with regards to the social relations of production. Or, as Bryan puts it, 'the foreign-national juxtaposition is conceptually illusory and politically blinding'.[20] Moreover, the fact that 'socialists in Australia continue to focus passion on the threat of transnational corporations loses sight of the fact that labour is exploited not by the *foreignness* of capital, but by the

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[18] H. Nowicki and K. Tsokhas, 'Finance Capital and the Australian Ruling Class', *Intervention,* Vol 13, pp. 19-38.
[19] D. Cottle, 'A Comprador Countryside: Rural New South Wales, 1919-1939', in D. Cottle (ed.), *Capital Essays,* Allen and Unwin, Sydney, 1984, pp. 92-104.
[20] R. Bryan, 'Xenophobia or theory phobia: Economic nationalism and the question of foreign investment', *Australian Outlook*, Vol. 37, No. 2, 1983, p. 68.

social relation of capital itself'.[21] The point here is not to deny Bryan's position, but rather to incorporate its criticisms into the current analysis in order to develop a more coherent and contemporarily relevant conception of a comprador bourgeoisie.

Bryan, for the most part, is correct in his appraisal of the analytical utility of the comprador bourgeoisie concept. Its utility for analysing transnational circuits of production is negligible when it is constrained by foreign/domestic dichotomies. The concept is, however, useful when investigating the modern form of landed property. The concept of a 'neocomprador' fraction is appropriate for the manager component of modern landed property. These capitals, or firms, are a fraction of capital and simultaneously the manifestation of landed property. In this sense, they are wholly invested in the social reproduction of capital as a class but they also have the ability to mitigate the flow of capital onto land by virtue of the rent relation i.e. between capital and landed property. Rinehart's HPPL, for example, purchases mining leases from the state of WA and enters into profit-share agreements with firms like Rio Tinto. The state apparatus and Native Title holders may *own* the land in a juridical sense but it is HPPL, by virtue of its monopoly over exploration activities, links to government and tenement holdings, that effectively *controls* access to it. HPPL is capitalist landed property and, as such, depends upon both the social reproduction of capitalist relations but is also tethered to a spatially fixed and immobile raw material, Pilbara iron ore. The designation,

[21] *Ibid,* p. 68.

neocomprador, then is entirely appropriate for this unique fraction of the bourgeoisie that engages with transnational circuits of production but is tethered to its source of social reproduction within a domestic polity.

The term ‘neocomprador’ is not entirely new. It has been used by many scholars to describe the re-emergence of a comprador class or class element as detailed above. Patnaik described a neocomprador class that emerged across South East Asia during the 1990s as ‘functionaries of financial institutions’ who promoted liberalization ‘in its quest to broaden international links’.[22] Wilson considers the ‘retention of these neo-comprador classes as separate political and economic entities’ within processes of decolonisation.[23] The point being that ‘neo’ designates the ‘comprador’ being retained. Satya and Pattnayak argue that ‘rethinking the prevailing notions about democracy and mixed economies’ requires, among other things, ‘uprooting the neocomprador’ classes which help ensure ‘electoral regimes and processes remain hostages to imperial military strategies’.[24] Finally, although there are many more examples, Amin uses the term to lament the fact that capitalist ‘worldwide expansion has reached the point where it dooms the Third World bourgeoisies to abandon their own plan once and for all, and accept ‘neo-comprador’ subordination’.[25] These scholars employ the term to designate merely a temporal distinction. The

[22] P. Patnaik, ‘Capitalism in Asia at the End of the Millenium’, *Monthly Review,* Vol. 51, No. 3, 1999, p. 62.
[23] E.M. Wilson, *The Savage Republic: De Indis of Hugo Grotius: Republicanism and Dutch Hegemony Within the Early Modern World System, 1600-1619,* Martinus Nijhof Publishers, Boston, 2008, p. 451.
[24] S. Pattnayak, *Globalization, Urbanization and the State: Selected Studies on Contemporary Latin America,* University Press of America, New York, 1996, p. 31.
[25] S. Amin, *Maldevelopment: Anatomy of a Global Failure,* United Nations University Press, Tokyo, 1990, p. 127.

'neocomprador' in this sense is the old comprador but in a new time. The function of this class or class element has not changed in relation to the dynamics of capital accumulation. The only thing that has changed is the date of its existence. The novel concept articulated in the current study designates capitalist landed property in the contemporary Australian social formation as a unique entity. It is not the old comprador concept existing in a new period but rather a concept to describe a class fraction which functions in a completely different and unique way at a specific historical conjuncture. This is what distinguishes the neocomprador concept employed in this study. The discussion will now turn to exploring the historical development of the minerals industry in Australia in order to contextualise the emergence of this class fraction.

The Development of the Australian Minerals Industry

The development of Australian capitalism has always been underpinned by primary resource exports. Since the end of WWII, it has been the extraction, processing and export of mineral commodities that has driven and determined the structure and path of development of the Australian economy. However, the Australian state apparatus has failed and is failing to maximise the potential rents from its vast mineral endowments. Therefore, it can be argued that the comparative advantage derived from Australia's mineral endowments is in fact marginalised by the failure of its government to maximise mineral-rents and that the current model of economic development that is underpinned by, and dependent upon, the resource export sector is inadequate and unsustainable.

Agricultural and pastoral commodities dominated the Australian export profile from colonial times until the material requirements of global industrialisation following the Second World War necessitated an unprecedented increase in mineral extraction, processing and export. In the contemporary period coal, iron ore and a variety of metalliferous ores have replaced the traditional export staples such as wool, wheat and beef. The current mining boom is the fifth in European Australian history and is by far the largest followed by the minerals and energy boom that began in the mid-1960s and ended with the onset of a global economic downturn in the early 1970s.

The historical dependence upon primary resource exports is no longer a viable growth strategy. A long-run downward trend in agricultural and pastoral commodity prices in the decades prior to the first post-war mining boom was offset by 'discoveries' of extensive ore reserves and the demand provided by a US directed industrialisation of Japan. Strong global commodity prices and the subsequent influx of foreign capital fed the 1960s mining boom which bolstered the final years of the nation building import-substitution-industrialisation strategy. However, the mining boom also facilitated a deterioration of the terms of trade and provided the impetus for dismantling the institutional arrangements protecting the labour intensive domestic manufacturing sector. Meanwhile, the foreign capital needed to fund expansion of the mining sector exacerbated the trend of increasing foreign ownership and control of Australian mining firms. T.M. Fitzgerald published the findings of a report on *The Contribution of the Mineral Industry to Australian Welfare* in 1974 which concluded that the sophistication of the Australian economy was obscuring its real interests and that increasing foreign ownership and control of the industry would undermine control over the future directions of economic development. Even more unsettling was the finding that during the six years between 1967/68 to 1972/73 the government had received $286 million in taxes and royalties yet had awarded $341 million in industry concessions resulting in a $55 million deficit.[26] The aftermath of this protracted structural adjustment was the demise of the domestic manufacturing sector and the confirmation of Fitzgerald's prophetic vision, the loss of control over the direction of economic development.

[26] T.M. Fitzgerald, *The Contribution of the Mineral Industry to Australian Welfare,* Canberra, Australian Government Publishing Service, 1974.

By 2004, when the current mining boom had begun in earnest, the process of fundamental reorganisation of the Australian political economy in response to the sustained accumulation crises throughout the 1970s and 1980s was approaching its zenith. The country had enjoyed consistent economic growth since 1992 and the words 'miracle economy' were being used to characterise the Australian version of neoliberal capitalism. What the quarterly GDP figures and low unemployment percentage were hiding though were serious issues to do with the skewed economic profile inherited from the collapse of the post-war boom arrangement. Tom Bramble's informative article published in 2004 entitled 'Contradictions in Australia's Miracle Economy' identifies widening income disparities, precarious employment and incredibly uneven distribution of profits across industries such as the financial corporate sector which registered a 185% increase in profits during the period 1996-2004 versus the non-financial corporate sector which increased profits by only 66%. [27] Furthermore, according to Simon Mohun, the aggregate economic growth from 1992 onwards was primarily driven by a long-run upward trend in profitability due to a general increase in labour productivity in combination with stagnating real wage levels.[28] The increase in rates of labour exploitation throughout this period reconfigured the profit to wages share of national income in favour of the former. Essentially, the 'miracle economy' was largely facilitated by a rate of profit handicap resulting from a decade of heightened exploitation of those who constituted the wages share of national income.

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[27] T. Bramble, 'Contradictions in Australia's "Miracle Economy"', *JAPE,* no. 54, 2004, pp. 10-12.
[28] S. Mohun, 'The Australian rate of profit 1985-2001', *Journal of Australian Political Economy*, no. 52, 2003, p. 88.

Fitzgerald's warnings should have been considered more seriously in 1974. Since that time, the levels of foreign ownership and control in Australian mining firms has increased to the point that BHP Billiton was 76% foreign owned in 2009.[29] The Australian Greens commissioned economist Naomi Edwards in 2011 to conduct an investigation into the levels of foreign ownership and control in the mining industry which found that as of 2010 the Australian mining industry was about 83% foreign owned.[30] The average profit margins for the industry and the dividends which accrue to foreign investors were also critical to note. According to Edwards, the after tax profit margin across the industry in 2010 was 31% increasing from 26% in 2008/9 which is in stark contrast to the Australian industry average for that year which registered 8%. In addition, foreign investors will receive $265 billion in dividends over the next five years of which around $50 billion will leave the country and around $205 billion will be reinvested in mining projects.[31] These figures raise critical issues regarding the inability of the government to maximise the economic rent owing to its constituency. Furthermore, the indirect effects of the high foreign ownership levels and also of the grossly disproportionate profit margins in comparison to the industry average are likely to exacerbate the lack of control over the direction of future economic development.

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[29] P. Coleman, *Committee Hansard*, Foreign Investment Review Board, 22 June 2009, p. 4. chase down source

[30] N. Edwards, *Foreign Ownership of Australian Mining Profits, Briefing Paper Prepared for the Australian Greens*, Australian Greens, 2011, p. 4, viewed 22/10/2014, http://qld7.ubox.greens.org.au/sites/greens.org.au/files/Foreign%20Ownership%20of%20Australian%20Mines.pdf

[31] *Ibid,* p. 4.

The issues raised here warrant serious consideration due to the potential detrimental economic and extra-economic effects they entail. However, identifying high levels of foreign ownership and unbalanced profit margins across industries is simply not enough. These issues, if they are to be seriously addressed, must be subject to rigorous empirical analysis guided by an adequate theoretical framework. The fundamental problem is that the current economic growth strategy is not sustainable and is likely to have adverse effects for the Australian political economy and the people who constitute it.

The end of the Second World War in 1945 marked the beginning of an extraordinary period of economic prosperity and political stability throughout the global community of advanced capitalist nations. Heralded as the 'golden age' of Australian capitalism, the long postwar boom represented a defining chapter in the short narrative of Australian history.[32] Key elements of this systemic social transformation included changes to the dimensions of international trade relations, reconfiguration of economic activity, development of alternative modes of capital accumulation and adapting to new economic development strategies.[33] These elements will serve as a point of departure for the discussion at hand.

Costly military campaigns during the War, in addition to the vast sums of capital required to finance the reconstruction effort in Britain, served to further erode

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[32] M.C. Howard and J.E. King, 2008. 'Reflections on the Long Australian Boom', *Journal of Australian Political Economy,* no. 61, June 2008, p.62.
[33] R. Catley and B. McFarlane, *Australian Capitalism in Boom and Depression,* Chippendale, Sydney, Alternative Publishing Cooperative, 1983, p. 75.

the last vestiges of power belonging to an empire already in decline. Given Britain's fiscal handicap, Australia could no longer rely upon the mutually beneficial trade strategy embodied in the political catch-cry, 'Men, Money and Markets'.[34] Britain was simply unable to honour the arrangement to supply Australia with any surplus labour and capital for rural development in exchange for food, raw materials and an export market for British manufactures.[35] The disintegration of trade relations between Australia and the UK became increasingly evident toward the late 1960s. In 1946-48, the UK was in receipt of approximately 37% of Australian exports. Two decades later, the percentage share of Australian exports despatched to the UK was a mere 13%. On the other side of the balance sheet, the percentage share of Australian imports from the UK was 50% in 1946-8, dropping to less than half that, to 22% in 1966-8.[36] Meanwhile, as the economic umbilical cord joining mother England to her belligerent antipodean offspring lay rotting in fetters, Australia began to forge closer political, cultural and economic connections with the United States of America. The passage of the *United States Lend-Lease Act* in 1941 may be perceived as the formal starting point for closer economic dealings with the US, especially in regard to Australian imports. However, even before the Act came into effect on March 11, Australia was forced to look to America for the goods it had formerly sourced from the UK, which had been unable to supply its trade

[34] D. Clark, 'Australia: Victim or Partner of British Imperialism?', in E.L. Wheelwright and K. Buckley (eds.), *Essays in the Political Economy of Australian Capitalism, Vol. 1,* Sydney, ANZ Book Co., 1975, p. 65.
[35] *Ibid,* p. 65.
[36] ABS Cat. 5368.0 (1946/48/66/68), *International Trade in Goods and Services, Australia.* Canberra, Australian Bureau of Statistics. track down online version and include URL

partners since the outbreak of hostilities in 1939.[37] One rudimentary statistic that bears testament to the fecundity of this stately courtship is the increase in percentage share of Australian imports attributed to US manufactures. The percentage share of imported commodities from the US accounted for 9% of Australian receipts in 1946-8. Although, by 1966-8, US manufactures as a percentage share of total Australian imports had increased to 26%.[38] The inverse relationship between deteriorating trade status involving Australia and Britain, juxtaposed with the positive trend of Australian market penetration by US firms is indicative of a broader trend throughout this period. Indeed, Catley and McFarlane portend that, 'If one may summarise the result of the second long boom it was the transfer of Australia from the British to the American sphere'.[39]

The dimensions of Australian trade relations during the postwar boom also took on a more regional character. The rapid industrialisation of South East Asian countries such as Japan, South Korea and Taiwan provided new and demanding export markets for raw minerals, particularly from the 1960s through to the early 1970s.[40] In September 1965 Australia signed a bilateral trade agreement with the Republic of South Korea which entailed commitments from both governments to provide for an 'exchange of non-discriminatory treatment with allowances for existing preferences' and also to 'use their best endeavours to

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[37] ABS Cat. 1301.0 (1945/46), *Year Book, Australia*. Canberra, Australian Bureau of Statistics, p. 331. either track down pdf or online version
[38] *Ibid*
[39] *Op. cit.,* Catley and McFarlane, *Australian Capitalism in Boom and Depression,* 1983, p. 89.
[40] R. Broomhill, 'Australian Economic Booms in Historical Context', *Journal of Australian Political Economy,* no. 61, 2008, p.18.

increase the volume of trade between the two countries'.[41] Their endeavours proved to be quite productive. Australian exports to Korea measured by value increased from nil in 1951/2, to $3.368 million in 1961/2, rising tenfold to $37.974 million in 1971/2.[42] The upward trend of Australian exports to Taiwan is even more remarkable considering that, like Korea, exports were nil in 1951/2, reaching $3.958 million in 1961/2, before posting a marked increase in 1971/2 with $55.680 million.[43] It is also worth noting that this increase in trade volume from Australia to Taiwan occurred without the benefit of a bilateral trade agreement, such as the one that existed with Korea. Although both Korea and Taiwan were examples of relatively new and hungry export markets within the region, their stories pale in comparison to that of Japan. As with Korea, but arguably more significantly, bilateral trade agreements had been signed with Japan after the War. An initial agreement was signed between the two countries in July 1957 and ratified by December of that year. This agreement was amended in August 1963 after the initial contract expired, becoming a fully fledged General Agreement on Tariffs and Trade (GATT) which was promptly ratified in May 1964.[44] It is interesting to note that the GATT has an explicit emphasis on agricultural and pastoral commodities regarding the commitments ascribed to Japan. Clauses dealing with non-preferential treatment of wool over cotton, hard and soft stabilised wheat, sugar, butter and cheese make up the bulk of the document. The only non-agricultural or non-pastoral commodities that make an appearance are motor vehicles, assuming that canned meat is not

[41] ABS Cat. 1301.0, 1973. *Year Book, Australia.* Canberra, Australian Bureau of Statistics, p. 289. track down proper citation
[42] *Ibid,* pp. 301-2.
[43] *Ibid,* pp. 301-2.
[44] *Ibid,* p. 289.

classified as both a pastoral and a manufactured commodity. Thus, the thrust of the agreement pertains to a commitment by Japan to ‘expand opportunities for imports into Japan of Australian’[45] grain, meat and motor cars. The aggregate volume of this trade was staggering. In dollar terms the value of exports from Australia to Japan trend upwards from $97.627 million in 1951/2, then to $373.810 million in 1961/2, and finally reaching the formidable total of $1360.152 million in 1971/2.[46] Or rather, to give these totals some perspective, consider the percentage share of total Australian exports consigned to Japan over the same period in comparison to exports to the UK and US. Exports to Japan accounted for 7.19% of Australian exports in 1951/2, whereas the UK was responsible for 30.84% and the corresponding figure for the US was 11.44%.[47] Disregarding the nominal increase in percentage share of total exports to the US, a little over 1%, the figures in 1971/2 indicate a massive redirection of Australian trade. By 1971/2, Japan’s percentage share of total Australian exports is 27.78%, dwarfing the UK which only draws 9.17%.[48] It had taken Japan only two decades to become Australia’s major export partner, a mantel that had been held by Britain for nearly two centuries.

Due to the fact that Japan was in receipt of nearly a third of all Australian exports by 1971/2 is significant because it demonstrates a fundamental reconstitution of international trade relations. What is more significant is which particular commodities constituted this burgeoning exchange relationship. A look at the

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[45] *Ibid,* p. 289.
[46] *Ibid,* p. 301.
[47] *Ibid,* p. 302.

[48] *Ibid,* p. 302.

top four categories of commodities exported is instructive here. In terms of value measured in dollar amounts, 'metalliferous ores and metal scrap' was the largest single category of commodity consigned to Japan in 1971/2, representing $424.873 million or 31.3% of total merchandise exports.[49] Second on the list was 'textile fibres and their waste' which contributed $221.270 million or 16.3%. Following closely in third position was 'coal, coke, briquettes' with $198.561 million which equates to 14.6%. The fourth category was 'cereal grains and cereal preparations', valued at $158.513 million or 11.7% of the total.[50] It is important to note also that these four types of commodity were the only ones that exceeded AU$1 million in export value. In addition, the fact that metalliferous ores and metal scrap alone exceeds the value of textile fibres and cereal grains combined indicates the growing significance of mineral exports in relation to the traditional primary exports, namely agricultural and pastoral commodities. Moreover, the combined total of this group of primary mineral, agricultural and pastoral commodities constituted over 70% of total merchandise exports to Japan, Australia's largest export market at the time.

In July 1963, an article in the *Sydney Morning Herald* entitled 'Major Importance of Discoveries: Minerals and Mining', proclaimed that 'the mineral discoveries in Australia during the last decade will rank in importance with any previously made in this country's history'.[51] The author of this optimistic declaration was the Secretary of the Department of National Development, Sir Harold Raggatt.

[49] *Ibid,* p. 305.
[50] *Ibid,* p. 305.
[51] H. Raggatt, 'Major Importance of Discoveries: Minerals and Mining', *Sydney Morning Herald*, 15 July, 1963, p. 48.

The discoveries Raggatt referred to consisted primarily of new metal ores such as bauxite, uranium, wolfram, scheelite, rutile and ilmenite. Vast bauxite deposits were discovered in 1955 by Harry Evans, a senior geologist employed by Zinc Corporation, at Weipa in the Gulf of Carpentaria after a failed prospecting mission in search of oil.[52] Large uranium ore deposits were found in 1949 at Rum Jungle in the Northern Territory and also in 1954 at Mary Kathleen in Queensland.[53] Scheelite, the tungsten ore, had been sighted in 1943 on King Island and within two years this deposit would account for 4% of the global supply of this rare metal.[54] The rich mineral sands that littered the coast line between Sydney and Brisbane were found to contain high concentrations of the titanium ores ilmenite and rutile. Production output for mineral sands exceeded £10 million in 1957.[55] In addition to the discoveries of new metals, Australia had increased its production of existing staple minerals such as copper, coal, iron ore, zinc and lead. In 1963, Australia was the third largest producer of primary zinc and second only to the Soviet Union in the production of primary lead.[56] The discovery of a large new ore body in Mount Isa resulted in a significant increase in copper exports from 1953 onwards and similarly, with iron ore, vast new reserves found in the Pilbara and Yilgarn districts in Western Australia further boosted the export profile.[57] In combination with, or perhaps as a consequence of, the increase in global demand for these minerals, the

[52] M. Griffiths, *Of Mines and Men: Australia's 20th Century Mining Miracle 1945-1985,* Sydney, Kangaroo Press, 1998, p. 39.
[53] G. Blainey, *The Rush that Never Ended? A History of Australian Mining,* Melbourne, Melbourne University Press, 1978, pp. 336-7.
[54] *Ibid,* p. 335.
[55] *Ibid,* p. 336.
[56] *Op cit,* Raggatt, p. 48.
[57] *Ibid,* p. 48.

discoveries of vast new mineral deposits would underwrite an unprecedented phase of growth for the Australian mining sector.

The increased global demand for Australian mineral commodities throughout the postwar boom was driven by the postwar reconstruction effort, the Cold War arms race and the advent of mass consumer culture. Minerals accounted for 25% of Australian exports in 1970/71 in contrast to wool which had fallen to 12% from nearly 65% in 1950/51.[58] The growth in export share attributed to mineral and energy exports was staggering, increasing from 10% to over 50% within a decade.[59] Investment was subsequently directed toward the more profitable mineral and energy sectors facilitating a fundamental restructuring of the industrial balance of power to the advantage of an ascendant mining sector. Currency appreciation driven by the resources boom adversely affected the Australian terms of trade to the detriment of both the traditional agricultural export sector and the import-competing manufacturing sector.[60] In addition, demand for Australian manufactures contracted toward the end of the postwar boom due to the strength of the dollar facilitating cheap imports and the initiation of tariff reduction policies. The Whitlam Labor government began to dismantle the tariff wall in the early 1970s through enacting a 25% decrease across the board.[61]

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[58] B. Catley, 'Australia in the World Crisis', *Critical Essays in Australian Politics,* in G. Duncan (ed.) Melbourne, Edward Arnold, 1978, pp. 87-88.
[59] C. Lloyd, 2008. 'Australian Capitalism Since 1992: A New Regime of Accumulation?', *Journal of Australian Political Economy,* no. 61, p. 35.
[60] *Op. cit.,* Gregory, 'Some Implications of the Growth of the Mineral Sector', 1976.
[61] D. Woodward, *Australia Unsettled: The Legacy of Neo-liberalism,* Sydney, Pearson Education Australia, 2005, p. 6.

Meanwhile, demand for Australian agricultural and pastoral commodities faded in the early 1960s as technological advances saw many of the primary export markets in Western Europe, the US and Britain become self sufficient in their food and textile needs. Also, the formation of the Common Agricultural Policy by the European Economic Community restricted access to European markets.[62] Thus, as the structural scarcity of food was altered by these technological advances, the Australian monopoly on fertile agricultural land used to produce both food and textile commodities also began to disintegrate. However, what was occurring simultaneously in the mining sector was the establishment of a new kind of comparative advantage occasioned in part by a growing global demand for minerals, but more importantly because the high quality grades of the Australian ores would necessitate lower production costs in comparison to those producers working with inferior resources.

Toward the end of the 1970s and lasting into the early 1980s, Australia experienced another mining boom. This episode was primarily driven by the energy sector, in particular steaming coal, oil and gas.[63] Bauxite can also be included as a major export during this period alongside shale oil and natural gas reserves that were discovered and developed with the influx of investment into the mining sector.[64] Discoveries of oil and natural gas in the Moomba and Cooper basins in Central Australia coupled with the massive finds in Bass Strait during the 1960s and the north-west shelf from the early 1970s dramatically

[62] *Op cit,* Broomhill, pp. 20-21.
[63] R. Battelino, *Mining Booms and the Australian Economy: An Address to the Sydney Institute,* Sydney, Reserve Bank of Australia, 2010, p. 5.
[64] *Op cit,* Catley and McFarlane, p. 3.

improved Australia's energy credentials.[65] Whilst the international economic community suffered the effects of two OPEC oil price shocks which punctuated both ends of the decade, Australia looked well on its way to energy self-sufficiency by the end of the 1970s.

In conjunction with the global economic downturn which pervaded the 1970s, two OPEC oil price shocks made Australia an attractive target for both domestic and foreign investment. Investment in Australian mining steadily rose toward the end of the 1970s and spiked in 1981 and 1982. In 1978 investment in mining as a percentage of GDP was around 1% and had reached 3% by 1982.[66] It was this influx of investment into mining that prompted Prime Minister Malcolm Fraser in 1980 to claim, 'In my policy speech of 1977 I said Australia could look forward to $6000 million in development. Some amazement was expressed in this – even disbelief...And now prospective development is $29000 million. This development promises to be as important to Australia and individual Australians as anything in the last thirty-five years'.[67]

Fraser was not alone in his optimistic hopes for an energy boom that would kick-start the flagging Australian economy. The sense of euphoria about Australia's future which accompanied the boom facilitated resurgence in wage demands and rising inflation.[68] In response, fiscal and monetary policy was tightened to keep the economy in check. The exchange rate, which was still

[65] *Op cit,* Blainey, p. 133.
[66] *Op cit,* Battelino, pp. 2-5.
[67] T. Conley, 2010. 'The Politics of Prosperity: Vulnerability, Luck and the Lessons of History', *Griffith Review,* No. 28, p. 122.
[68] *Op cit,* Battelino, p. 5.

pegged against a trade-weighted index of currencies, was nominally appreciated to insulate the economy from rising inflationary pressures.[69] However, despite the optimistic statements about the possibility of \$6-\$12 billion of chiefly foreign investment from the outset of the boom in 1976/77, very little of this capital outlay materialised.[70] Ironically, the second of the oil price shocks in the late 1970s, which was in part responsible for directing foreign investment toward Australian mining, became the catalyst for a global economic downturn in 1981 that significantly softened the international demand for Australian energy exports. The prices and volumes of energy exports failed to reach their forecasted levels and consequently, in conjunction with the boom-induced high wage growth, inflationary pressures and the resulting tight fiscal and monetary policies, the domestic economy followed the global economy into severe recession by 1982/83.[71] By the time Malcolm Fraser bequeathed his Prime Ministerial duties to the newly elected Labor leader Bob Hawke in 1983, the mining boom which he had so enthusiastically proclaimed as the most important event in the last three decades had come to an abrupt and unceremonious end.

It is critical to note that this particular mining boom occurred during a period of protracted economic stagnation. This energy boom was a peculiar event in the long history of mining in Australia because every other mining boom in the past two centuries occurred within the context of broader economic prosperity. Indeed, it seems that this unique episode was both underwritten and

[69] *Ibid,* p. 5.
[70] *Op cit,* Catley and McFarlane, p. 174.
[71] *Op cit,* Battelino, p. 5.

undermined significantly by contemporary global economic disturbances, namely the second OPEC oil price shock. The global pressures on energy markets induced by this price shock initially directed investment toward Australia, increased commodity prices and stimulated demand.[72] However, the oil price shock was also the catalyst for a severe global economic downturn with a gestation period of two years. When the global demand for Australian energy exports declined as a result of the global recession, the expected capital inflows required to fund the expansion of the Australian energy sector also failed to materialise. Thus, whilst this particular boom may have been peculiar in the sense that it did not occur within a general period of economic prosperity, it still served to reinforce a characteristic of mining booms that is common to them all. That primary characteristic is that the fortunes of the mining industry are fundamentally dependent upon the international demand for mineral commodities. Moreover, factors which significantly affect this international demand for Australian mineral and energy exports must be taken into consideration when attempting to manage a booming mining sector. In this light, the present mining boom seems increasingly precarious. Whilst Australia has avoided a technical recession throughout the Global Financial Crisis, many of the global capitalist economies have been ravaged. Even if demand for Australian minerals and energy can be sustained by the industrial powerhouses of China and Japan, the continuing aftershocks of the GFC throughout western economies may soften demand for the manufactured goods produced in South

[72] E. L. Wheelwright, 1984. 'The Political Economy of Foreign Domination', *Mineral Economics in Australia,* P.J. Lloyd (ed)., Sydney, George Allen & Unwin, p. 214.

East Asia. Perhaps, for a second time in 40 years, resource export optimism could fall prey to the uncertainties of the global capitalist system.

In June 2008, Lloyd posed the question, ‘has Australia once again become an economy driven by resource export dynamism with all the linkages associated with such a booming sector and economic, social and political connections that come to the rise to prominence of such a sector?’[73] This rhetorical query came into print precisely three years after the start of an unprecedented Australian mining boom and exactly three months before the collapse of Lehmann Brothers signalled the beginning of the GFC. In the years since this vital enquiry was posed, a series of political and economic developments have elapsed which make its central supposition concerning the issue of resource export dependency more relevant today than in 2008. For example, political developments like the ousting of Prime Minister Kevin Rudd and economic issues such as the protracted hostile debates concerning mining industry tax reform have brought the mining industry to the fore of political and popular debate. In regards to the primary question of determining if the Australian economy is once again reliant upon resource export dynamism, a cursory glance at key economic indicators is instructive. For example, mineral and energy exports have increased from 29% of merchandise exports in 1993/94, to 31% in 1999/2000, to 32% in 2003/04 before spiking at 44% in 2006/07.[74] Latest statistics released by DFAT reveal that this trend has continued, whereby the percentage share of merchandise exports accruing to unprocessed primary

[73] *Op cit,* Lloyd, p. 35.
[74] Department of Foreign Affairs and Trade, 2007. ‘Exports of Primary and Manufactured Products, Australia, 2006-2007’, Canberra, DFAT, pp. 66-7. track down and cite properly

mineral and energy exports was 46.7% for 2009-10.[75] Even more striking is the fact that the total percentage share of minerals and energy exports in 2009-10, inclusive of processed and unprocessed primary products, simply transformed and elaborately transformed manufactured products, and gold (which is listed separately to the former categories), amounts to 67.6% of total merchandise exports.[76]

In conjunction with this increase in percentage share of merchandise exports accruing to the mining industry is an upsurge in investment flows. Private new capital expenditure in mining stood at approximately $10.2 billion or 18% of the total for Australia in 2004/05. This figure almost doubled to about $22 billion or 29% of the total in 2005/06. To put these figures into context, investment flows into the mining industry reached a peak of only 13.6% during the 1966-75 minerals and energy boom.[77] Indeed, in 2010 the Reserve Bank of Australia (RBA) stated that the current mining boom has induced a level of mining investment as a share of GDP that has been significantly higher than any previous booms. Furthermore, the RBA has noted that this level of investment was likely to rise further along with corresponding increases in demand and commodity prices.[78]

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[75] Department of Foreign Affairs and Trade, 2010. 'Exports of Primary and Manufactured Products, Australia, 2009-2010', Canberra, DFAT, p. 36. track down and cite properly
[76] *Ibid,* p. 36.
[77] S. Harris and G. Taylor, 'Themes and Issues in Resource Development', in S. Harris and G. Taylor (eds.), *Resource Development and the Future of Australian Society,* Canberra, Centre for Resource and Environmental Studies, ANU, 1982. need to find page number, already in bibliography
[78] *Op cit,* Battelino, p. 6.

Moreover, in terms of industry income as a proportion of GDP, the present level for the mining industry has not been this high since the early twentieth century.[79] In 2006 the income from the mining industry accounted for 7.5% of GDP in comparison to the peak of 15% in 1861 during the gold rush, and 6% during the boom from 1966-1975 (Cook and Porter, 1984). After hovering at around 10% in 1900 the figure dropped to around 8% in 1909. It took a hundred years before this level of industry income share of GDP was matched in 2009 with an equivalent figure.[80] Evidently, the extraction, processing and exploitation of minerals and energy resources are fundamental drivers of the broader Australian economy in the contemporary period. Moreover, it is critical to note that the present mining boom is historically unique. In terms of aggregate economic indicators, this mining boom has delivered unprecedented levels of merchandise export output, private new capital expenditure and industry income as a proportion of GDP.

Looking beyond these aggregate economic indicators, it is evident that much of the strong current growth can be attributed to a significant increase in mineral and energy exports to countries like Japan, South Korea, India and China.[81] According to Ric Battellino, Deputy Governor of the Reserve Bank of Australia, the current mining boom in Australia is in part driven by the large expansion in iron ore, coal and gas industries and also, to a large degree, driven by demand

[79] *Op. cit.,* Goodman and Worth, 'The Minerals Boom and Australia's "Resource Curse"', 2008, p. 208.
[80] *Op cit,* Battelino, p. 2.
[81] D. D'Sylva, *Jewels in the Australian Crown,* Sunnybank Hills, QLD, Bookpal, 2009, p. 39.

for resources from emerging countries, with China being the most significant.[82] Australian exports to China increased from approximately $10 billion in 2003/04 to around $23 billion in 2006/7.[83] Moreover, the fact that Australia currently provides 40% of China's iron ore imports and over 60% of Japan's gives credence to Battellino's claim that the demand for Australian resources has been largely driven by the industrialisation of emerging economies within the region.[84] Given the increasingly symbiotic relationship developing between the Australian mining industry and the broader economy it would seem that the present bout of prosperity is one that has been dependent upon the growth of emerging economies within the region. Thus, it would be prudent to question, or at least examine the sustainability of such a dependent economic program.

Levels of foreign ownership and control of the Australian mining industry have been a problematic issue for many years. In the wake of the 1960s to early 1970s mining boom, various studies seeking to identify and analyse the extent of foreign penetration of the mining industry revealed disturbing results. In 1978, the Australian mining industry was 59% under foreign control measured by value added.[85] On a national scale, the percentage of foreign control varied according to particular minerals. For example, the percentage of foreign control in fuel minerals was 73%, brown coal and petroleum were 84%, black coal was 59%, tin registered 81%, silver, lead and zinc were all 75%, mineral sands stood

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[82] *Op cit,* Battelino, p. 6.
[83] ABS cat no. 5368.0, 2005-2007, *International Trade in Goods and Services, Australia.* Canberra, ABS. find proper citation
[84] Western Australia Hansard, 2007. *Parliamentary Debates, Legislative Assembley, 20 November.*C. Barnett. Perth, Hansard WA. find proper citation
[85] United Nations, *Transnational Corporations in World Development,* New York, UN, 1978, p. 60.

at 62% and iron ore was under 47% foreign control. In nearly every case the primary country of ownership was the USA.[86] Even the iconic Australian mining company BHP, or 'The Big Australian', was 21% foreign owned in 1980.[87] BHP merged with international mining giant Billiton in 2001 without objection from the Australian Competition and Consumer Commission or from the Australian Foreign Investment Review Board.[88] In 2007, the Chinese government via Chinalco raised concerns about the proposed merger between Rio Tinto and BHP Billiton, a veritable monopsony power, while the Australian government's FIRB gave its tacit assent.[89] This process of foreign penetration into the Australian minerals industry predates the 1960s mining boom but it has certainly become more pronounced since that period. Today, the levels of foreign penetration have led some to believe that 'the industry is so clearly concentrated in the hands of a small number of transnationalised corporations that it makes little sense to refer to it as an Australian industry as such'.[90]

There exists a vast body of literature concerned with issues of transnational corporate power and the effects of foreign economic penetration. The central premise that underwrites this body of scholarship denotes that transnational corporations, by virtue of their lack of national affiliation, are fundamentally geared toward the accumulation of profit without regard for the welfare of the

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[86] G.J. Crough, *Foreign Ownership and Control of the Australian Mineral Industry,* Sydney, Transnational Corporations Research Project, University of Sydney, no. 2, 1978. find page number already in bibliography.
[87] K. Tsokhas, *Beyond Dependence: Companies, Labour Processes and Australian Mining,* Melbourne, Oxford University Press, 1986, p. 2.
[88] P. Costello, *Foreign Investment Approval of BHP Limited – Billiton PIC Merger,* Statement by the Treasurer, Hon. Peter Costello, Canberra, 2001.
[89] E. Alberici, 2007. *China May Stall BHP – Rio Tinto Merger,* ABC News. find proper citation
[90] *Op cit,* Goodman and Worth, p. 212.

sovereign states that they operate within. Therefore, industries with high concentrations of transnational penetration may not necessarily function to benefit the national economy.[91] A good example of this is the case of the Australian bauxite industry. In 1979, Australian owned companies made about $800 million from the export of bauxite and alumina. Had these raw materials been processed into aluminium, the export earnings would have increased five-fold and added three billion dollars to the credit side of Australia's balance of payments. The increase from this alone would have equalled the combined wool and coal earnings.[92] That the Australian mining sector is one of the most penetrated industries in the world means that the Australian people are being deprived of much of the profits derived from the extraction and processing of their mineral resources. Given that mineral resources are finite, the ineffective exploitation of this resource in the past and present is depleting the basis for any future comparative advantage[93]. Moreover, the leakages of investment flows facilitated by inadequate corporate taxation regimes and lax regulatory policies monitoring levels of foreign penetration significantly undermines the potential for developing an economic structure that is not dependent upon capital-intensive resource exporting industries under concentrated foreign control.

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[91] G.J. Crough and E.L. Wheelwright, 'Australia: Client State of International Capitalism, A Case Study of the Mineral Industry', in E.L. Wheelwright and K. Buckley (eds.), *Essays in the Political Economy of Australian Capitalism: Volume Five,* Frenchs Forest, NSW, Australia & New Zealand Book Co, 1983, p. 16.
[92] H. McQueen, *Gone Tomorrow: Australia in the 80s,* Sydney, Angus and Robertson, 1982, p. 53.
[93] *Ibid,* p. 85.

One striking contemporary example of the inadequacy of the corporate tax regime concerns the Federal government's unsuccessful attempt to impose a Resource Super Profits Tax on the primarily foreign owned dominant mining companies. The mining industry mobilised its vast resources to mount a powerful public campaign to discredit the proposed tax, employing a massive advertising campaign that cost around $100 million. The government launched its own advertising campaign in defence of the tax and was criticised for using public money to fund an advertising campaign which promoted a policy that did not enjoy majority popular support. However, the $100 million expenditure outlaid by the mining industry was in fact tax deductible which meant $30 million dollars of public funds was used to reimburse the industry without any public scrutiny of the transaction.[94] Essentially, the primarily foreign owned mining industry was able to effectively prevent the elected representatives of the Australian people from passing legislation which would repatriate some of the profits accrued from the exploitation of Australian resources. Then, to add insult to injury, the industry was reimbursed with $30 million of public funds to offset the cost of a self serving media advertising campaign.

Another example of investment leakages relates to the findings of the 1974 Fitzgerald report mentioned previously. Fitzgerald suggested that Australia had come to possess such a sophisticated economy that it had lost sight of its real economic interests. The main thrust of his findings raised concerns about the foreign ownership of the industry and showed how this would increasingly

[94] I. McAuley, 'Taxing the Miners' Uncommonly Large Profits', *Dissent,* No. 33, Spring 2010, p. 25.

undermine control over future directions of economic development. Probably the most recognisable aspect of the report was the section detailing the overall deficit absorbed by the government in its dealings with the mining industry.[95] In the six year period from 1967/68 to 1972/73, Fitzgerald discovered that the government received $286 million in taxes and royalties but granted $341 million in assistance and foregone revenues, resulting in a $55 million deficit.[96] The first point to note is that the evidence presented above demonstrates that Australian mining is heavily foreign owned. More importantly, the companies that dominate the industry are transnational corporations that operate with relative impunity across various national borders and are driven solely by the incessant drive for accumulating profit. Second, the current state of corporate taxation and regulation is riddled with loopholes that permit significant leakages of investment flows away from Australia. Third, and in direct relation to the previous point, the significant comparative advantage provided by the vast national mineral resources is being increasingly undermined through exporting raw mineral ores for processing overseas. The opportunity cost involved with minerals such as bauxite represents a phenomenal liability which could be seized to develop secondary industry in order to balance the skewed economic profile.

This section has provided a selective historical analysis of the Australian political economy throughout the period 1945-2010, with a specific focus upon the mining industry. The primary themes explored concern the increase in scale

[95] *Op. cit.,* Fitzgerald, *The Contribution of the Mineral Industry to Australian Welfare,* 1974, find page number

[96] *Op cit,* McQueen, *Gone Tomorrow,* 1982, p. 84.

and scope of mineral extraction in Australia, the emphasis on exporting raw materials rather than developing domestic processing, the inherent dependence upon the international capitalist economy and the sustained increase in levels of foreign ownership and control of the industry throughout this period. It was suggested that as the structural scarcity of food and textile commodities declined in former export markets as a result of technological advances facilitating self-sufficiency, the comparative advantage of Australian firms was eroded. In contrast, as the rapid industrialisation of former third-world countries drastically exacerbated the demand for mineral commodities, in combination with the postwar reconstruction effort, the high grade mineral ores unique to Australia began to yield considerable comparative advantage, only this time to the mining sector. Thus, in regard to the redirection of investment and economic activity, the traditional export sectors of agriculture and pastoral industries registered decline as minerals and energy became ascendant.

Chapter 8

Conclusion

This is the final substantive section of the thesis. The following discussion will entail three things: a brief summary of the key claims posited throughout the preceding analysis; a reiteration of the central hypothesis constituted by three separate yet interlinked claims; and, a brief outline of the necessary limitations of this dissertation along with an identification of concrete avenues of inquiry which stem from, and may now be pursued, in light of the findings of this current study.

It is not necessary to list the key claims in order as they appear throughout the preceding sections. It is instructive, rather, to discuss the central claims in relation to the areas of contemporary scholarly debate in which they make a contribution. This approach informs the organisation of the next sub-section that will survey in brief the key aspects of the general argument as they have been presented above.

The first central claim of this study relates to the debates surrounding the design and implementation of the legislative reforms variously referred to as the Australian ‘mining tax’. There were, in fact, two separate taxes, which stemmed from the Henry review. The claim made was of a general nature in relation to the theory of rent underpinning both taxes. It was, therefore, not necessary to venture too far into an empirical analysis of the political debates themselves or the chronological detail of implementation, amendment and eventual repeal of the MRRT. The contribution of this study was, rather, to establish that the theory of rent informing the design of the tax was flawed and in need of reappraisal. This was the central claim put forward by this study in relation to the debates around the design and implementation of the Australian 'mining tax'.

The next significant claim was put forward in relation to historical debates on rent theory. There were, in fact, a series of points made in relation to the development of rent theory in historical perspective but since they culminated in a coherent position they may be viewed as connected claims. The central theme was that the detachment of landed property from the theory of rent has obscured from analysis an important social relation in the contemporary period. The series of points leading up to this position related to specific debates on rent theory and shall need to be reiterated in order.

The Physiocratic notions of rent, while incorrect, were seen to be important to the extent that they lent insight to the specific dynamics of capital accumulation at that particular historical conjuncture. The last vestiges of the feudal mode of production in Europe were disintegrating in the face of an emergent capitalist mode of production. The Physiocrats, while invested in the social reproduction of their own class basis, which was geared toward the dominance of landed property, identified the socially unproductive nature of landed property, as a class, within capitalism. This identification paved the way for Adam Smith and other members of the Scottish Enlightenment, namely James Anderson, to bear witness to the continuing emergence of industrial capitalism *vis-à-vis* feudalism. This dynamic social process found theoretical expression in Smith's labour theory of value, which contained a theory of rent, and in Anderson's elaboration of what would become the Ricardian theory of rent. While there were important distinctions, each of these theories maintained the importance of landed property as a barrier to capital in their conceptions of rent. This changed with the onset of the Marginalist revolution in the 1870s. Jevons and Walras led the charge for a dominant theory of general equilibrium while Marshall advocated for the qualified use of partial equilibrium analysis. In both frameworks the specificity of rent to land was severed as a consequence of methodological limitations. Rent, from this point in the history of economic thought, at least in the orthodoxy, was now generalised across all factors of production rather than revenue specific to land. The Formalist revolution of the 1950s saw to it that this admixture of Ricardian principles, or rent conditioned by the law of diminishing returns, and Marginalist principles would be enshrined in the canon of modern 'positive economics'. This argument weaved through centuries of developments in economic thought culminates in the claim that the theory of rent used to inform the design of the RSPT and MRRT was in fact fundamentally flawed due to its omission of a theory of landed property in capitalism.

The next key claim relates to the debates on rent theory within Marxist discourse. The general point was made that Marx provided an alternative epistemological basis from which to construct a modern theory of rent that took account of the role of landed property in capitalism. Once this was established the discussion turned to constructing a novel and critical reading of Marx's theory of rent and the subsequent debates surrounding it. The culmination of this discussion was the consolidation of the position that a prerequisite for a contemporary theory of rent is a historically contingent theory of landed property. This is not a tautology given that the role of landed property within the theory of rent is contested within Marxist discourse. One contribution, therefore, of this section is to Marxist rent theory in relation to the debate on the necessity of a theory of landed property in capitalism.

Another claim, made in conjunction with the preceding argument regarding landed property, concerned the form and function of landed property in the contemporary period. Landed property, in the contemporary Australian formation, it was argued, functions according to an ownership and control bifurcation. The state and indigenous landowners act as the owners of mineral lands while the neocomprador fraction of the bourgeoisie act as the controllers of mineral-lands. This division of labour within landed property stems from a novel contribution to Marxist rent theory and the substantiation of this claim was the focus of Part III of this study.

Part III entailed the construction of a theory of landed property within the Australian social formation. The chapters in this part established the substantive basis for the theoretical positions elaborated above. There were two key claims within this discussion. The first related to the historical emergence of the capitalist mode of production in Australia. The claim was put forward that capitalism, as a coherent set of social relations prevailing in the colonies of the Australian continent, emerged during the land reforms movements in the

1860s. This claim contributed to the ongoing debates on the genesis of capitalism in Australia. The second key claim pertained to the historical development of landed property in Australia culminating in a bifurcated category, along lines of ownership and control, as a fraction of capital rather than a class in and of itself standing in opposition to capital. This claim substantiated the previous contribution to Marxist rent theory. It is also a novel contribution to debates in Australian historiography, particularly class analysis in Australian history.

This concludes the brief summary of the key arguments posited in service of constructing the central thesis. The discussion will now turn to reiterating the central thesis in the context of the contributions to scholarly discourse just outlined. These concluding remarks will be organised according to the two goals articulated at the beginning of the introduction to this dissertation: constructing a substantive platform for a socially significant theory of mineral-rent through developing a historically contingent theory of landed property in Australia.

The Modern Form of Landed Property in Australia

> *But very brief definitions, although convenient, for they sum up the main points, are nevertheless inadequate, since we have to deduce from them some especially important features of the phenomenon that has to be defined. And so, without forgetting the conditional and relative value of all definitions in general, which can never embrace all the concatenations of a phenomenon in its full development, we must give a definition of...*
>
> **V.I. Lenin (1917)[1]**

The form of landed property, in relation to the form of capital, is the primary determinant of the magnitude and distribution of mineral-rent. The period from 1945 to 2014 witnessed the fundamental transformation of the Australian minerals industry in relation to both the capitals, which operated within the industry, as well as the structures of ownership of land.

The modern form of landed property in Australia in relation to mineral extraction can be characterised as a dynamic agglomeration consisting of elements of the state apparatus and indigenous landowners, dominated by a neocomprador fraction of the bourgeoisie. These three entities all receive a share of the mineral-rent generated by the extraction of minerals within the bounds of the Australian state. The size of their share is determined by both the ownership of minerals and by the control of capital needed to extract the minerals. This has meant that the neocomprador bourgeoisie receives the largest share, followed by the state and finally the indigenous landowners.

It has been established above that landed property entails two functions within the capitalist mode of production. To use the typology of anthropologists

[1] V.I. Lenin, 'Imperialism, The Highest Stage of Capitalism', *Selected Works,* Progress Publishers, Moscow, 1971 (1917), p. 233.

observing the traditional mode of production of the Australian Aborigines, there is an owner and manager relationship to the land. Landed property acts as a barrier to the accumulation of capital across industries because it may prohibit the flow of capital by virtue of both its ownership and control of land. In the mineral industry of Australia, this division between ownership and control can be seen in the functions of the state, indigenous landowners and the neocomprador capitals which control access to minerals. The balance of power between these three constituents of modern landed property is evident, at a rudimentary level, in the distribution of gains from mining they each receive. Therefore it is clear that by any measure it is the neocomprador capitals that comprise the motive force of modern landed property. Their role as gatekeepers to systems of provision permit them to exact a toll for the extraction of minerals on the Australian continent. While they do indeed apply capital and labour to their own operations, constituting a profit, their ability to find, prove and then lease mineral lands permits them to act as rentiers.

Toward a Socially Significant Theory of Mineral-rent

Before conclusions can be drawn from the preceding analysis, an important qualification must be stated. This dissertation did not seek to construct, in its totality, a theory of mineral-rent. The test of such a theory would be that, as Cyrus Bina has aptly noted in the case of oil-rent, 'The phenomenon of oil rent in particular, and economic rent in general, becomes historically specific if they are able to explain the concrete conditions of leaseholders and their interaction with the flow of capital investment for the exploration and development of oil'.[2] Rather, this thesis has been concerned with contributing to the construction of a necessary prerequisite aspect of the theory of mineral-rent, the historically and geographically specific theory of landed property. The broad problems outlined in the first substantive section of this dissertation in relation to the political inability to implement rent-targeting taxes on mining stemming from the problems of economic theory are certainly issues directly related to the underdevelopment of mineral-rent theory. These problems however are far too complex in scope and magnitude to be dealt with in one dissertation. One fundamental aspect of this broader quandary of mineral-rent is the modern theory of landed property specific to the Australian continent. It is this task that has been attempted here.

This dissertation has sought to construct a point of departure for the critical reappraisal of the prevailing theory of mineral-rents within a methodological

[2] C. Bina, 'The Laws of Economic Rent and Property: Application to the Oil Industry', *The American Journal of Economics and Sociology,* Vol. 51, No. 2, April 1992, p. 187.

framework capable of explicating the social signification of the rental payment for the use of land and its appurtenances. This task is necessary because the flawed conceptions of mineral-rent which currently predominate have, and are, retarding the progress of political responses to the economic problems surrounding the issue of resource rent taxation. It is acknowledged that economic theories do not necessarily directly inform political processes. However, the appropriate action with regards to addressing the problems of resource rent taxation must begin with a reappraisal of what resource rents are.

The limitations of the prevailing orthodox conception of mineral-rent are primarily linked to issues of methodology. Modern rent theory is informed by an admixture of Ricardian, Marginalist and Formalist traditions of economic thought. The basic premiss of this conception of rent is inherited from the work of Anderson and Ricardo: the magnitude of rent is determined by the price of land. This basic postulate was inverted by Marx who argued that it was the magnitude of rent which determined the price of land. The reason for this inversion relates specifically to aspects of Ricardo's labour theory of value which Marx developed in his own theory of value. At its most basic level, the issue can be explained as the problem of attributing an exchange-value to land, a factor of production which contained a use-value but did not contain congealed labour-power. This problem was resolved by Ricardo by the claim that all rent was of a differential nature. The significance of these debates for the current problems around resource rent taxation in the mineral industries are paramount.

A theory of mineral-rent capable of explicating the social signification of the rental payment for mineral lands is predicated upon a theory of landed property. This prerequisite is one reason the orthodox theory of mineral-rent is flawed. The Neoclassical theory of rent informed by Ricardian theory proceeds from the assumption that landed property does not exist in the capitalist mode of production. According to this line of reasoning, landed property was an institution which dominated in feudal society but does not exist in capitalism. If landed property is defined as a social class which functions to prohibit the flow of capital into the industrial sphere of mining by virtue of its control of access to mineral deposits then it is evident within the Australian social formation that there is a capitalist form of landed property. This thesis has examined the historical development of landed property in Australia and argued that a modern form of landed property exists.

Property in land, according to capitalist conditions, did not exist on the Australian continent until the British invasion of 1788. The traditional mode of production in existence prior to this date was marked by communalist social relations of production and entailed no formal relations of land ownership. The form of landed property in the colonies developed according to the needs of the self-expansion of capital. As the industrial bourgeoisie emerged in the colonies along with a labouring class to fulfil their needs, the form of landed property changed accordingly. The turning point from the semi-feudal for of landed property to the tendency toward fully capitalist social relations of production occurred in the 1860s. The case study chosen to illustrate this shift was the land reform movements of Victoria and NSW from 1861. The process which began in the 1860s solidified into a codified juridical expression in the Federation of the colonies to create the Commonwealth in 1901. While each conjuncture effected meaningful juridical changes upon the from of landed property, this class functioned according to the role of landed property in the capitalist mode of production from about the 1860s. Important changes to the form of landed property were identified as the Native title Acts. These developments constitute the emergence of a modern form of landed property in the contemporary period which is defined broadly as post-1945. The contemporary form of landed property in Australia is primarily constituted by the State and a comprador element of the bourgeoisie.

There have been a series of significant contributions to heterodox political economy concerned with the relationship between host governments in the Third World and MNCs. This issue was extensively researched throughout the 1970s and particularly during the 1980s when the discourse around the New World Economic Order was topical. The contributions to this scholarship concerned with mining and rent were broadly on agreement about the modern form of landed property as synonymous with the State. This analytical framework may have been effective for explicating the creation and distribution of rent in social formations where mineral ownership had been nationalised but it was not sufficient for the Australian social formation. While the State does have monopoly ownership of minerals, the access to capital and therefore the ability to use the land is controlled by entities outside of the state apparatus.

The access to minerals is controlled primarily by Australia's neocomprador fraction of the bourgeoisie. This term needs to be qualified according to the contemporary conditions it seeks to understand. In this sense, it is distinct from the developments surrounding this term put forward by scholars in the 1970s and 1980s. The circuits of capital and the processes of accumulation are indeed transnational. The unique aspect of capitals involved in rent-seeking behaviour in the minerals industry is that the source of social reproduction of landed property is embedded within the ground of a particular social formation and within a specific juridical space. This has meant that a group of capitals has occupied the role of facilitator, of landed property, facilitating the penetration of capital into mineral production in Australia. While the state may own the minerals in a juridical sense, the neocomprador capitals control access to minerals through ownership of mineral leases. This makes these capitals the primary constituent of the modern form of landed property because landed property is the institution which functions to control the use of land. In this sense, the state plays a subsidiary role in practice when considering the barrier to capital accumulation posed by landed property.

Capital in this schema is taken to be the multinational mining capitals which dominate production of mineral commodities. These firms enter into partnerships with the neocomprador firms in order to extract raw materials which belong to the state.

The composition of modern landed property is threefold: the state, by virtue of ownership, is a major rent seeking aspect of this form; indigenous land owners constitute another aspect, albeit economically insignificant part, of this form; the neocomprador bourgeoisie constitute the motive aspect of the modern form of landed property. The division of landed property on the continent of Australia is characterised by the owner manager relation. At each significant historical conjuncture the division between owner and manager if land has been marked.

In the traditional mode of production, the relation was one of complementarity. Owners were not involved in an antagonistic relation with each other because they were dependent upon mangers of land which controlled access and rights of use to their land. In the post-1788 period the antagonism between landed property was more pronounced. Those who appropriated land were able to do so at the exclusion of all others. The 'squatters', appropriated the so-called virgin land and were able to utilise the primary means of production to create a surplus. It was not until the initiation of land reforms beginning in the 1850s that capital began to assert its authority. The passing of the Robertson and Duffy Land Acts in the early 1860s heralded a change own the relation between landed property and capital. From this point on, the balance of class power rested in the emerging bourgeoisie rather than the landed aristocracy.

The debates surrounding the design and implementation of the doomed mining tax, in all its forms, did not consider the fundamentally problematic notion of rent itself. The distribution of rent is perceived to be a zero-sum game wherein the state is pitted against firms involved in the extraction, processing and distribution of minerals. There is no consideration permitted of the role and function of the manager component of modern landed property which has been subsumed by capital. The neocomprador fraction of the bourgeoisie is able, through its command over systems of provision, to exact the payments for access to minerals that should in fact fall to the state. Until rent, as a class relation, is properly understood, there can be no resolution to the problem of constructing a theory of mineral-rent which serves a social purpose. To this end, a prominent member of the neocomprador fraction, Gina Rinehart, provides a compelling call to action crafted in prose:

> The globe is sadly groaning with debt, poverty and strife
> And billions now are pleading to enjoy a better life
> Their hope lies with resources buried deep within the earth...
> Our nation needs…wiser government, before it is too late.[3]

It is hoped that this dissertation will form a constructive point of departure for answering Rinehart's plea.

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[3] G. Rinehart, *Our Future,* quoted in B. Bannister, 'Gina Rinehart's Poem Slammed by Poetry Expert', *ABC online,* 16 February 2012, viewed 31/3/16, http://www.abc.net.au/local/stories/2012/02/15/3431797.htm

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