CLASS ANTAGONISM AND LANDED PROPERTY IN THE FUNCTIONAL DISTRIBUTION OF INCOME IN AUSTRALIA

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The ratio of labour to capital share of GDP in Australia could be considered a crude indicator of the state of class struggle. Questions around who gets what beget enquiries into how exactly that process unfolds. However such queries are framed, the tension between conflictual social groups is palpable. Discerning the causes and consequences of the declining labour share of GDP presupposes some comprehension of why the capital share has increased. The following remarks attempt to integrate a third 'factor of production', land, into this societal milieu. The discussion proceeds in four parts: an introductory section arguing for broadening the scope of enquiry around the declining labour share of income; a brief historical survey of the development of rent theory emphasising the need to reintegrate a theory of landed property; an outline of some key issues to do with extractive industry, housing, landed property and the declining labour share; then, concluding remarks reiterating the need to consider landed property in explanations for declining labour share of national income and some suggestions for how this argument could be substantiated in further studies.

The causes and consequences of the declining labour share of GDP have received widespread attention recently in media commentary and scholarly discourse. Consider the latest themes dominating media headlines in Australia. First, we have the attempt of the Australian Labor Party to deny self-managed retirees the right to claim cash refunds for excess dividend imputation credits (Benson, Brown & Kelly 2018). This

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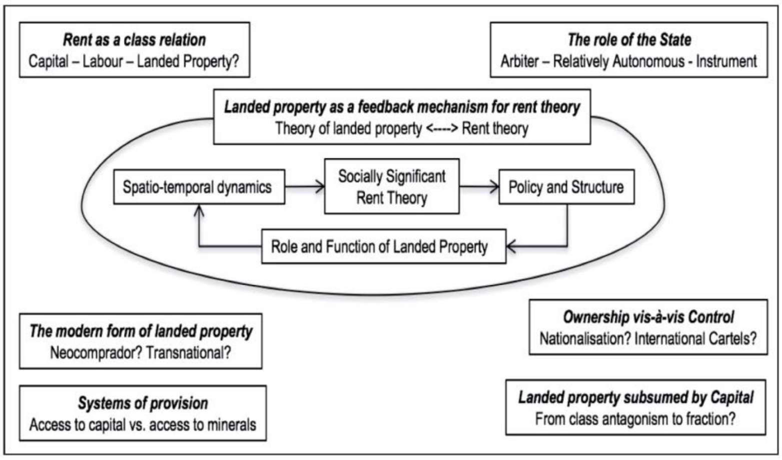
policy initiative drew the ire of conservative commentators who labelled the move a part of ‘Shorten’s class-war’ (*ibid*.).

Next, we have the claim from the Oxford Institute for Energy Studies that Australia is missing out on $90 billion in revenue from its natural gas exports because the ‘Turnbull government has given up on collecting a meaningful amount of revenue from some of its most valuable resources’ (Bagshaw 2018). According to this study, Australia will net $600 million from natural gas exports in 2018 whereas Qatar, with comparable endowments of natural gas, is set to capture $26.6 billion in resource revenues in the same year. The study recommends Australia adopt measures deployed by European countries, citing the current effective tax ratio of 21% in Australia in contrast to the 35% or more taken by the North Sea countries of Germany, Denmark, the Netherlands and Norway (*ibid*.).

Meanwhile, wage growth and the share of GDP accruing to workers in Australia are at historic lows. Australian Bureau of Statistics data reveal that in March 2017, labour compensation as a share of GDP had sunk to its lowest level since the ABS began collecting the data in 1959 (Stanford 2017). Stanford’s contribution to this special edition of *JAPE* lays bare the inadequacies of much of the extant scholarship explaining why the labour share has declined so spectacularly. Most accounts are premised on functionalist views of the economy and therefore omit, on the basis of blinkered methodology, the point that factor shares of GDP are primarily determined through class struggle constituted by the ability to make demands of employers through organised worker action. The Hawke-Keating Labor Accords undermined the structural capacity of workers to promote wage growth and the declining factor share accruing to labour chronicles this deterioration of working class power.

From 1974-77 to 2014-17 the factor share accruing to labour declined by 8 percentage points, representing a redistribution away from labour of aggregate output of around $150 billion per year. One particular component of this shift in factor shares bears further examination: the gross operating surplus generated on owner-occupied dwellings, which registered an increase of 3 percentage points over this period. The role and character of landed property in Australia is examined in service of this aim.

Figure 1: Schematic representation of the nexus between rent and landed property



Source: (Collins 2017: 154).

The nexus between rent, conceived as a social relation, and landed property represented in Figure 1 above was developed initially to deal with issues surrounding the misappropriation of rents within the context of the mining boom in Australia from around 2004 to 2012. Land-based commodity production in the form of housing entails similar dynamics, given the spatially-fixed and immobile character of the use-values produced which are then mediated through dynamic systems of exchange. The model above may be usefully applied to the housing boom context to illuminate further avenues of enquiry regarding the role of the housing boom in facilitating the transfer from labour to capital share of GDP.

The model proposes a socially significant theory of rent aimed at addressing David Harvey's injunction that rent, a 'simple money payment for the use of land and its appurtenances', conceals a 'host of possible social significations that can be unravelled only through careful socio-historical investigation' (Harvey 1982: 25). The primary connection is between rent and landed property. Rent, in this estimation, is considered in its broadest sense as a social relation between people with a material foundation in land. The system of private property in land, or landed property, is thus a consequence of the historical development of both systems of ownership and also class relations mediating control. Landed property is therefore historically contingent, spatially specific and conditioned by dynamic social forces. The very existence of rents, let alone the social processes conditioning their generation and distribution, presupposes a system of property rights. The character of this system thus conditions the flows, magnitudes and recipients of rent. Rent and landed property, therefore, are in constant tension but united reflexively. Derivative problems emanate from this tension: the character of landed property entwined within global circuits of capital accumulation; the role of the state apparatus within, between and through polities; the contradictory unity of ownership and control in modern landed property; displacement of the rent relation, vertically and horizontally, into complex and connected systems of production, distribution and exchange. Productive avenues of enquiry are obtained from expanding the scope of rent theory, conditioned by landed property, to account for its social and historically contingent character.

Rent Theory and Landed Property in Historical Perspective

The recent history of rent theory is the history of the struggle to resolve a fundamental contradiction in the capitalist mode of production. Capital seeks to overcome all obstacles to its self-expansion. Capital 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 social relations of production. This contradiction has manifested itself in various historical conjunctures from the French revolution to the protracted struggle to repeal the Corn Laws in the UK, in the struggle to tax resource-rents in Australia during the last two mineral booms since 1945 and during the recent housing boom. The following discussion will examine the development of rent theory within the context of this fundamental and dynamic tension.

Many scholars have attempted a general historical survey of theories of economic rent (Nwoke 1981; Buchanan 1929; Deák 1985). The aim here is to identify aspects that relate to the contradiction posed by landed property in capitalism. These aspects come from the contributions of the school of Physiocracy, the Classical school of political economy and the Marginalist school (Blaug 2003; Ward 1972: 40-41). Each reflected the growing dominance of capital vis-à-vis landed property.

Physiocracy and the Emergence of Capitalist Landed Property

The Physiocrats contributed 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' (Quesnay 1963 [1766]: 231). This initiative led the Physiocrats to enquire as to the origins of value, its distribution in practice and the consequences of these movements. The Physiocratic theory of value meant that rent played a significant part in their system of political economy. These investigations produced seminal contributions to an evolving social scienceo that would later find unity in the writings of Adam Smith to form the foundation of Classical political economy (Roll 1992: 111).

The Physiocrats have been credited with affecting a pivotal shift within economic thought that helped craft the conditions for the French bourgeois revolution (Orain 2015: 384). The epistemological shift facilitated by Physiocracy was the movement from the sphere of exchange (which underpinned Mercantilist thought) to the sphere of production as the focus of economic enquiry. In so doing, the Physiocrats contributed to laying the foundations for an analysis of the capitalist mode of production (Marx 2000 [1905]: 45).

The primary limitation of the Physiocrats' economic theory was the underdeveloped concept of exchange-value. 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, 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-values beyond the means of subsistence was most clearly evident.

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' (Marx 2000 [1905]: 46). This conception of value had two important implications. First, landed property, by virtue of its rent-appropriating function, was the most powerful class in society. Second, landed property was an unproductive, or sterile, social class. This provided the basis for both the construction of a labour theory of value and the political campaign against the sterile class of landed proprietors who 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, 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' (Roll 1992: 120).

Various material factors 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' (Meek 1963: 25). In conjunction, 'revolts had become chronic' among the peasantry (Ware 1931: 613). 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.

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 effected by the Classical school of political economy was to identify labour, rather than land, as the source and 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 into 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 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 enquiry that questioned the social utility of what they called the 'sterile class', the Classical political economists pursued 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 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 of agricultural production. Large scale manufacturing (as in Manchester) required a class of waged-labour. This new industrial proletariat affected the demand for agricultural commodities to the point that class antagonisms inherent to the organisation of agricultural industry became critical political issues.

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 by Smith at the height of the Scottish Enlightenment (Roll 1992: 72; 211). Smith's theory of rent 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. Smith correctly emphasised the role of landed property in his theory of rent. Ricardo later expunged this important function due to the inability to explain why land that has not been altered by human labour can still have an exchange-value. What has been interpreted as confusion within Smith's rent theory regarding the causality between rent and price was rather the articulation of a complex problem that expressed a conjunctural class antagonism.

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. The Physiocrats conflated profits and wages because, although 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. The following excerpt from the *Wealth of Nations* demonstrates this point:

> It is the work of nature which remains after deducting or compensating everything 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 (Smith 1976 [1776]: 364).

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. 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. The theories of rent according to both the Physiocrats and Smith required a theory of landed property. Such was the political power of the landed interest 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. When 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 was emerging 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 (Wilson 1840: iv).

The conflict around the Corn Laws were clearly perceived as a class struggle between an emergent industrial bourgeoisie and the established, albeit decaying, ruling strata of landed proprietors.

Rent exists not because variations in nature exist but because landed property is able to control access to nature. Land suitable for agriculture, housing and mining is 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 lands are qualitatively different depending upon such factors as soil quality and grades of mineral ores.

The key issue for the Classical school's theory of rent 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 arises out of the obstacle posed by 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. Such was the logic necessary to maintain the integrity of Ricardo's theory of value in relation to land. It is upon this basis that landed property is expunged from rent theory within the evolving Classical school of political economy. It is a legacy also constraining subsequent Neoclassical economic theory.

The End of History for Rent Theory: Marginalism

With the marginalist revolution in economic theory in the 1870s, the problem of neglecting the role played by landed property in capitalism was compounded. 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. However, this distinction became a casualty of the Marginalist revolution that ushered in Neoclassical economics as the dominant economic theory. In Neoclassical economics, whether within the framework of general or partial equilibrium, rent cannot be distinguished from profits or wages because factor incomes are said to be 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.The legacy of this neoclassical economic theory can be seen in the definition of rent taken from the Henry review of Australian taxation**:**

> 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 (Henry 2009: 737).

Rent here applies to any factor of production, just as in the following definition from the *New Palgrave Dictionary of* Economics which is a reference tool for the economics profession:

> 'Rent' is the payment for use of a resource, whether it be land, labour, equipment, ideas, or even money. Typically the rent for labour is called 'wages'; the payment for land and equipment is often called 'rent'; the payment for use of an idea is called a 'royalty'; and the payment for use of money is called 'interest'. In economic theory, the payment for a resource where the availability of the resource is insensitive to the size of the payment received for its use is named 'economic rent' or 'quasi-rent' depending on whether the insensitivity to price is permanent or temporary (Alchian 2008:91).

Such a theory of economic rent may be appropriate when attempting to explain rentier positions in relation to labour and capital but not when it comes to land.

The current orthodoxy in rent theory, exemplified by the definitions above, could be characterised as a synthesis of Ricardian principles within a framework of general and partial equilibrium theory. This conception of rent is fundamentally flawed, not least 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 different factor revenues is not permitted in a framework where all factor prices are determined simultaneously. Thus, orthodox rent theory 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 surplus in land-based commodity production in the contemporary period.

The spatial fixity and immobility of land means a theory of landed property in capitalism is required. One way to reintegrate a theory of rent and landed property in capitalism is through the historical materialist approach pioneered by Karl Marx and Friedrich Engels.

The Historical Materialist approach to rent theory and landed property

Marx's theory of ground-rent is contingent upon explaining the role of landed property within the capitalist mode of production. 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' (Marx 1981 [1894]: 762).

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 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 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 are two types of differential ground-rent, analytically distinct from the third category, absolute ground-rent. Each category is historically contingent. The concept of absolute ground-rent is arguably the most significant aspect. 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. Marx defined it as 'independent of the differences in fertility between types of land or successive investments of capital on the same land' (Marx 1981 [1894]: 894). The essence of absolute ground-rent is 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' (Marx 1981 [1894]: 906). The factor that accounted for this difference in the organic composition of capital is that of landed property itself. To use a hypothetical example relevant to Australia today, a 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' (Marx 1981 [1894]: 906).

This is, however, all contingent upon certain conditions prevailing in land-based industry relative to non-land-based industry. Landed property retards 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 mitigates the increase of constant capital relative to variable capital that is the usual tendency in non-land-based industry. It is 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' (Marx 1981 [1894]: 894). When this possibility is inapplicable the form of rent corresponding to it disappears (Marx 1981 [1894]: 894). 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 land-based commodity production were to become highly capital intensive, as it now often is, 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. The existence of absolute ground-rent, historically, 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' (Marx 1981 [1894]: 752).

Although 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 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.

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.

Marx's contribution demonstrated that rents were socially determined in the sense that class power, as a social relation, was the basis of rent, rather than inherent properties of the land. Ricardo's theory of differential rent had emphasised the latter, seeing rent as determined by fertility. The Marxian notion of 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. Thus, the specific form of landed property at each distinct historical conjuncture is critical for understanding the nature of capital accumulation. 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' (Fine & Saad-Filho 2010: 145).

Landed Property in Extractive Industry and Housing

Current Australian political economic issues can be interpreted in terms of these spatially and temporally contingent views of land and rent, helping to show how public policies affect the distribution of the social product. Taxing income arising from the extraction of natural resources is a case in point because the tax and transfer system plays a decisive role in facilitating the distribution of national income.

In 2008, the Rudd Labor government commissioned a review of the tax system to identify opportunities for improving an antiquated system of transfer payments, prompted mostly by the mineral boom which saw massive profits expropriated overseas. In the context of this article, the key question is : to what extent did this review and the subsequent struggles to implement its proposals condition the material basis for the misappropriation of more of the social product by capital away from labour?

The Federal Labor government, under Prime Minister Kevin Rudd, announced its plan to legislate a Resource Super Profits Tax (RSPT) on 2 May 2010 in accordance with the findings of a review of Australia's tax system headed by Treasury Secretary Ken Henry (Sanyal & Darby 2011). The Australia's Future Tax System (Henry) 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 (Henry 2010: v). The initiative occurred in the context of a crisis in global capitalism initiated by the sub-prime mortgage crisis in the USA. 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 (Battelino 2010: 67). 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 (Henry 2010: 217). Moreover, the report called for the replacement of current arrangements with a uniform resource rent-based tax to be administered by the Commonwealth (Henry 2010: 217).

The RSPT prompted vehement criticism from mining company executives, business organisations and politicians. Marius Kloppers, CEO of Broken Hill Proprietary Billiton (BHPB) 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' (Hewett 2010). Rio Tinto's CEO Tom Albanese claimed that 'from my own perspective, this is my No. 1 sovereign risk issue on a global basis'. 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' (AAP 2010). 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' (AAP 2010). Some critics even characterised the tax as a socialist initiative! Julie Bishop, then Shadow Minister for Foreign Affairs and Trade, linked the conceptual basis of the RSPT to Karl Marx's *Das Kapital* (Bishop 2010: 33). The mining magnate Clive Palmer called Treasurer Wayne Swan a communist and referred to the Prime Minister as 'comrade Rudd' (ABC 2010).

At the time, both BHPB and Rio Tinto were heavily invested in countries with considerable sovereign risk owing to political and economic instability. 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 to help ensure financial stability (Murphy 2010). BHPB was invested in a $5.2 billion alumina project in Guinea where a military junta was dealing with a deepening political crisis (Fitzgerald 2011). Why then did Albanese and Kloppers express such disdain for the RSPT as a sovereign risk issue? Much of the commentariat, along with pro-mining tax politicians, dismissed these claims as self-interest and greed on behalf of the mining executives.

While this may partially explain such sentiments, the investment strikes which followed, such as BHPB’s withdrawal from the Olympic Dam expansion project, point to deeper issues.

Marx’s exposition of ground-rent and critique of extant theories of rent provide entry points for engaging with the real reasons the RSPT purportedly 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. The RSPT was to be retrospectively implemented. 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 for countries with mineral endowments was unacceptable to Kloppers and Albanese. Following a vigorous campaign finaced by the big mining companies, 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 replaced by Julia Gillard. After Rudd had been ousted, Albanese warned: ‘Policymakers around the world can learn a lesson when considering a new tax to plug a revenue gap, or to play local politics’ (Wilson 2010).

After perennial attacks on the Gillard government, Tony Abbott led the Liberal Party to victory in the 2013 federal election and repealed the mining tax in September 2014 (Griffiths 2014). In the four years since the tax proposal was first raised, it had undergone significant amendment, rendering it impotent, as demonstrated by the negligible sums actually paid by mining companies (Chambers 2013).

Thus, the laws conditioning transfer payments in relation to landed property, following the debates and struggles after the Henry Review, helped to facilitate the transfer of social product from labour to capital in the functional distribution of income in Australia. This arrangement has thereby increased income inequality. Failure to appropriately diagnose the problem on the basis of flawed theories of rent and landed property makes it more likely that that the situation will deteriorate further.

Similar concerns relate to the failure to control the rising cost of land for housing. In conjunction with wage stagnation, this has meant that home ownership is increasingly concentrated in fewer hands. Rising housing costs and stagnant wages over the long term have siphoned incomes away from the many into the hands of the few. If there are no changes to the current taxation regimes for land and housing, so too can we expect this mechanism of transferring income from labour to capital to continue apace. Sensible proposals for what those changes could be includethe recommendations of the Henry Review on housing and taxation (Wood, Stewart and Ong 2010: 101-16) along with more recent recommendations by the Grattan Institute (Daley, Coates and Wiltshire 2018) and the Australia Institute (Grudnoff 2015) around reforming stamp duties, restricting negative gearing to new housing stock and scrapping the capital gains tax discount.

Conclusion

The class struggle to appropriate the social product under capitalism is typically framed as dichotomous: labour against capital. The argument above has sought to identify one of the sites through which this struggle is contested: landed property as a unique site of the production of use-values. Issues relating to land, extractive industry and housing can be understood in this context as related to a layering of of spatially fixed and immobile factors of production amongst the class antagonisms between capital and labour.

This shows the importance of expanding the scope of debates around declining labour share of national income to include issues of landed property and rent. This article's brief foray into the development of rent theory in historical perspective points to the need to revisit debates on landed property in contemporary capitalism. Calculating how much developments in extractive industry, construction and property markets have facilitated the transfer of national income from labour to capital also requires more empirical analysis. Two questions require further consideration in this regard. First, is it possible, empirically, to isolate the landed property share from the non-labour share in the national income? Second, what does a rent-based analysis, which entails a unique role for landed property in contemporary societies, contribute to the attempts to illuminate the nature of contemporary Australian political economic problems and policy issues such as those to do with housing and mining?

Notable attempts to isolate, empirically, the landed property share from the non-labour, or capital, share of national incom include Terry Dwyer's 'The Taxable Capacity of Australian Land Resources' and the extension and updating of this study by Gavin Putland in 'The Economic Rent of Land as a Fraction of Australian GDP'. Dwyer's piece is particularly instructive in relation to the methods that have been used historically in Australia to determine the value of land-rents as a potential source of tax revenue (Dwyer 2003: 28-36). Putland's more recent study (2013) concluded that the economic rent of land in Australia in 2011-12 amounted to around 14% of GDP.

If fundamental reforms of the taxation system in Australia were to act on the potential for targeting landed property, there could be a redistribution of national income to labour from capital facilitated by land-rent revenues. However, such an outcome presupposes rational action by the state informed by logical arguments. The experience of the Henry Review and its recommendations suggest that such a scenario is unlikely. By drawing attention to the connection of the state apparatus to class interests, a rent-based approach to understanding the historical development of landed property in Australia can help illuminate the structural character of problems relating to the functional distribution of national income.

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