Journal of

AUSTRALIAN POLITICAL ECONOMY

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NUMBER 93

WINTER 2024 ISSN 0156-5826

The *Journal of Australian Political Economy* is a refereed journal. Its articles are indexed in APA-FT (Australian Public Affairs Full Text), Econlit and IREL (the Australian industrial relations database).

JAPE No. 93

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50 YEARS OF POLITICAL ECONOMY IN AUSTRALIA

The first full course in political economy began at Sydney University in 1975. Fifty years later, a stocktaking of subsequent experiences is appropriate. *JAPE* will therefore publish a special issue in 2025 that considers the emergence of the political economy movement, subsequent developments nationwide, achievements and disappointments, and the challenges for political economy today.

Submitted papers would be welcome, either of normal *JAPE* length or shorter contributions – perhaps reflecting on personal experiences or implications of studying political economy.

Please submit papers (word length: 1,500-8,000) by 18 December, 2024, to Frank Stilwell at: *frank.stilwell@sydney.edu.au.*

RISING SEAS, LAW AND THE POLITICAL ECONOMY OF ASSET OWNERSHIP

Phoebe Gawin

Rising seas and increasingly violent storms caused by climate change are threatening coastal properties. Anthropogenic climate change promises to rapidly change the landscape of risk for landed properties in areas of vulnerability, a dynamic compounded by the phenomenon of financialised property. The financialisation of property has led some scholars to argue that assets, rather than employment, have become the key determinants of wealth (Schwartz and Seabrook 2008; Piketty 2014; Aalbers 2016; Ansell 2019; Adkins *et al.* 2021). Where highly valued property markets face climate threats, land law acts as an interface between the private interests of homeowners seeking to defend their properties and areas of public law that seek to manage dynamic coastlines.

This tension applies particularly to shorefront properties facing submersion and damage. Yet because shorefront owners' material stakes lie in defending their properties *as an asset,* by which the proprietors' financial leverage is tethered to the (perceived) value of their homes, public law's ability to regulate the coast is diluted by private property rights. Coastal cities such as Florida, New York and Amsterdam have become emblematic of how climate-related disasters clash with highly valued property markets. Although on a smaller scale, Australian coastal cities are equally subject to this dynamic.

The emphasis on assets, particularly high-end residential housing, as a means of capital appreciation has become increasingly evident in recent decades, leading some political economists, including writers in this journal (*e.g.* Adkins *et al.* 2020; Marsh and Stilwell 2023) to take an 'asset economy' perspective. Concurrently, the revaluation of assets within

Gawin, P. (2024)
'Law, Rising Seas, and the Political Economy of Asset Ownership'
Journal of Australian Political Economy
No. 93, pp. 7-27.

advanced capitalist economies has led others to characterise climate change not just as a problem of collective action but also one of existential politics, in which the rapid unfurling of asset revaluation will render some assets defunct or valueless while others gain, resulting in a fierce political struggle over the distribution of consequences (Colgan *et al.* 2020). Alongside the more visible frontline assets, such as stranded assets in the fossil fuel sector, real estate represents another bundle of assets whose future is at stake. According to some analysts, a climate-driven collapse in waterfront property markets could trigger a financial crisis greater than that of the subprime mortgage crisis of 2007-2009 or the bursting of the dot-com bubble in 2000 (Urbina 2016). In North America, between USD 66 billion and USD 160 billion in coastal property and infrastructure is expected to fall below sea level by 2050, as indicated by Freddie Mac (2016) which is the second largest housing finance creditor in the United States.

One area in Australia where these processes are already evident is Sydney's Northern Beaches, an urbanised series of suburbs adjacent to a string of beaches, bays and headlands, known colloquially as the 'insular peninsular'. Roughly at its centre is Collaroy-Narrabeen beach, a strip of coast that straddles two suburbs, Collaroy and Narrabeen, both of which fall within the jurisdiction of the Northern Beaches Council (hereafter 'the Council'). 61 highly exposed shorefront properties flanking a 1.1-kilometre stretch of the beach. Inappropriate land-use decisions in the fore-dunes, taken before the risks of climate change were properly recognised, permitted development to occur in this active coastal zone (Manly Hydraulics Laboratory 2016). The 61 properties comprise houses and apartments that have experienced rapid house price appreciation. Of the stand-alone houses, ten have historical sales data showing a current average price of $5.15 million, nearly five times higher than their last sales price recorded in the late 1980s and 1990s (*PropertyValuer.com.au*, adjusted to 2023 value). The 2023 median house price in the Collaroy area was $3.2 million, whereas the median NSW State price was $986,500 (*PropertyValuer,com.au* 2023). In other words, these are extraordinarily valuable pieces of real estate.

In June 2016, an east coast cyclone combined with a king tide wrought extensive property damage along the coast just as coastal management and planning law in NSW underwent fundamental reform. Responding to this crisis, the 61 properties along Collaroy-Narrabeen Beach won a legislated pathway to construct a 1.29 km seawall to protect their properties from further damage. This represented a remarkable departure from the earlier stance of local and State governments on the growing climatic threat posed to real estate; before 2016, seawalls had figured only suggestively in Council proposals and had been quickly dismissed by the broader community. This was the first time the State government funnelled public money into an adaptation infrastructure where the beneficiaries were private property owners. A benefit-distribution analysis commissioned by the Council itself indicated that 94 per cent of the benefit of seawalls would accrue to the proprietors of shorefront properties (Marsden Jacob Associates 2016). While the total bill of $25 million was paid primarily by the shorefront owners, it was subsidised in two lots of $1.73 million by the NSW State government and the local Council, respectively (NBC, n.d.).

This article analyses the forces that resulted in the approval and construction of the artificial seawall at Collaroy-Narrabeen beach. Its first section considers the economic aspects, focusing on the asset economy (and the asset logics inherent within it) that permeate law's development and homeowners' behaviour. The second section canvasses the environmental aspects, looking at the emergent dynamics where highly valued real estate sits in geographies of increased hazard and risk. The third section turns to legal matters, exploring how private property law has diluted public law's attempt at managing property along an increasingly volatile coastline. The fourth section considers politics, examining how asset logics have imbued the State and local government's response to coastal hazards in the Collaroy-Narrabeen case. The penultimate section pulls the legal, economic, environmental and political threads together to explain why private risk was partially socialised in this instance. A brief concluding section reflects on lessons and prospects.

The economic dimension: the 'assetisation' of residential property

To fully grasp the magnitude of asset wealth under threat from climate change, it is necessary to consider the metamorphosis that assets have undergone across capitalist economies. Many scholars argue that a transition has occurred from employment dominance to asset dominance in private wealth creation. Landed property is the largest and most significant private asset in these capitalist societies (Schwartz and

Seabrook 2008). Since the 1980s, housing has transitioned from a security repository to a commodified, privatised, and eventually financialised asset (Nethercote 2019). As credit outpaced growth and became available to more individuals, the wealth portfolios of middle to upper-middle-class households expanded to include a range of market-traded assets (Chwieroth and Walter 2019). This encompasses credit cards, mortgages, and other market-traded assets for low to middle-income individuals and the expansion of derivatives and future markets for the very wealthy (Crouch 2009:390).

The central role that debt has come to occupy in this process has been called an unwritten macroeconomic policy of 'privatised Keynesianism' (Crouch 2009:390-3): instead of governments accruing debt to stimulate the economy, lines of credit have been extended to individuals instead. The urban landscape has become, in effect, a financial asset (Aalbers 2016) within which many homeowners now represent a stratum of rentiers (Ryan-Collins and Murray 2023).

Many government policies have stoked the demand for property, not as a vessel for security, but as an investment promising enduring value and favourable tax treatment (Ryan-Collins and Murray 2023). In Australia, property has been positioned as an investment at the expense of welfare provision (Cooper 2013), resulting in what has been dubbed a 'dual welfare state' (Spies-Butcher 2014), an aberration from the liberal welfare regime in the Worlds of Welfare Capitalism typology that was famously theorised by Esping-Anderson in 1990.

Houses in Australian capital cities have morphed into vehicles for tax planning and rent-seeking. The most contentious policies that fuel the demand for real estate as an investment are negative gearing and the 50% tax discount on income derived from capital gains. In the former, taxpayers can carry forward losses on their investment properties as deductions from their taxable income in the next financial year. (Notably, nowhere else in the tax legislation can a taxpayer carry forward losses from an unrelated field into their general assessable income). The capital gains tax discount halves the amount of tax payable on income received when the assets are sold, making it much lowlier taxed than income from labour or business activities. Combined, these taxation mechanisms make investing in properties a honeypot for those seeking to reduce their overall taxable income while sitting on appreciating asset wealth.

At the core of capitalist life in these conditions is what Adkins *et al.* (2019) call the Minskian household. A home is purchased on credit, the mortgagor anticipates capital gains, the household is leveraged (*i.e.* borrowed funds must be paid back), and capital gains are made when one's speculative investment becomes the object of others' desire. The anticipation of future gain is not an 'optional extra' (Adkins et al. 2021:21); rather, it is expected. It is central to financing the asset and, as collateral, is tethered to other investments' success.

The temporal dimension is critical here because the value of a speculative asset is determined by an unknowable future (Adkins *et al.* 2021; Adkins 2019). State and local governments have pursued tacit policies of 'value-capture', namely policies that 'contribute to asset bubbles,' with the perverse effects of 'rewarding speculation' and funnelling public money towards investors (Wolf-Powers 2022). The credit-driven housing booms mean that the ripple effects of any threats to real estate values extend to its associated mortgage debt, which, in turn, affects mortgage financing, impacting property prices and, thus, property tax revenue going to the State and local governments. The incentive for 'value capture' policies is clear: State and local governments have become dependent on the budgetary windfall provided by property taxes (*i.e.* stamp duties, land taxes and local government rates).

In recent decades, waterfront coastal residential areas have experienced these credit-driven surges in demand (and, therefore, value). This may seem ironic, given the physical instability of the coastline and its exposure to climate risk. Locationality influences the desirability of real estate, yet the physical limitations of land inherently constrain locationality. Landed property is unlike other forms of capital: it is (considered) permanent, it cannot (for the most part) be moved, with its value rising due to speculation rather than productiveness (Ryan-Collins and Murray 2023; Akerlof and Shiller 2009:149-57). The latter characteristic means that, even when the housing stock remains quite constant, massive amounts of wealth may be generated without comparable capital investments (Turner 2017). This dynamic is particularly evident in the case of the perceived desirability of waterfront property.[1]

[1] One study demonstrated that value has been shown to increase dramatically alongside greater proximity to the ocean; see Benson *et al.* (1998).

The environmental dimension: highly valued properties on emerging climate fault-lines

The surging demand for waterfront property, however, sits awkwardly alongside surging seas and rising ocean levels. More than a decade ago, one estimate suggested that between 157,000 and 247,000 Australian houses are at risk of inundation in a (conservative) scenario of a 1.1-metre rise in sea levels, the replacement cost of which is predicted to be between AUD 41 billion and 63 billion at 2008 values (Department of Climate Change and Energy Efficiency 2011). More recent predictions of seal-level rise have become increasingly dire; a recent study found that, even if global emissions were curbed to meet the 2-degree target set in the Paris Accord, the West Antarctic Ice Sheet – responsible for Antarctica's sea level rise – is likely to collapse (Naughton *et al.* 2023). The West Antarctic Ice Sheet alone has enough ice to raise global mean sea levels by 5.3 metres. Urbanised areas that straddle the coast face more than just inundation: the estimates regarding how many properties face inundation do not account for subsequent inland flooding as a byproduct of coastal storm surges (Ware 2016). The southeast coast of Australia therefore faces a two-pronged threat: rising sea levels that cause erosion and threaten submersion, and an increase in the frequency of east coast lows, wherein a trough of low pressure causes bursts of explosive gale-force winds, torrential rain and swollen rough waters.

In liberal market economies where climate risk meets private property, it is the insurance industry that has been positioned as the primary shock-absorber of loss (Tooze 2019). Reporting on un-insurability and under-insurability has been increasingly prominent nationally. Some reports have focused on so-called 'red zones' which are areas in which properties are uninsurable because premiums would outstrip mortgage repayments (ABC News 2020); while other reports have focused on insurance embargos in areas affected by natural disasters (Butler 2020). The situation in Collaroy-Narrabeen has received particular attention. Following the 2016 storm, the insurance industry made clear that it bore no responsibility, a spokesperson for the Insurance Council of Australia stating that 'most insurers don't cover actions of the sea. It's a very common exclusion' (ABC News 2016). 'Acts of the sea', he went on, are considered 'acts of God.' Of course, this inability or unwillingness of the insurance industry to respond to increasing damage wrought by intensified climate change is a dynamic not unique to Collaroy-Narrabeen. Evidently, the insurance sector's general capacity to respond to climate catastrophes is dwindling. Instead, there is growing pressure for private risk to be socialised.

The legal dimension: property as a right to revenue

Real property, as it is practised in law, is not a thing (a plot of land or a physical house, for example) but the *right to* that thing. Conceptualised as a 'bundle of rights' – with physical possession being only one such right – to 'have' property is to have a range of rights enforceable against the world, save against someone with a better claim (Australian Law Reform Commission 2016). Property is, therefore, often considered relative: it is someone's only to the extent of another with a better claim. Property rights have been subject to such an array of legal tinkering that prominent scholars argue that definition evades it. With even the lower stratum of air above land capable of being taken as its own quadrant of real property, Gray has argued that property is, in a sense, nothing: 'I can sell you thin air and, like it or not, you have to agree that there has been a transfer of property' (Gray 1991:259). This abstract character of property rights has had two crucial implications for how law that relates to the land plays out in Australia.

The first implication is that it fosters an environment where landed property may become valuable capital. As a complex array of interests can hover over property – the most [in]famous being mortgage-backed securities or collateral debt obligations – the property can be the basis of finance capital (Cooper 2013) and an object of speculation. Property rights are implicitly a right to revenue (or, the expectation of future returns) (Horwitz 1979, Cooper 2013, Graham 2011). The state, in turn, mediates modern property rights: it guarantees the usage of property and the disposal of property (MacPherson 1975:111). Indeed, the right of alienability (*i.e.* the right to sell) and all its creatures – transferability, compensation, acquisition and exchange – is the essence of private property today (Graham 2011:9; Godden 2023). 'Just acquisition' clauses engender this view of property: compensation for property is framed in terms of lost rights to the 'commercial benefits' of property (Graham 2011:162). In NSW, s 3(1)(a) of *Land Acquisition (Just Terms Compensation) Act 1991* No 22 (NSW) states that, where there is land implicated in a proposal by an authority of the State to acquire that land, 'the amount of compensation *will be not less than the market value of the* *land* (unaffected by the proposal) at the date of acquisition' [emphasis added]. If local government is the acquiring authority, properties have appreciated to levels far beyond the ability of a fiscally constrained Council to buy back. When Frohling *et al.* (2019) investigated the planned retreat policy of the Council of the Byron Shire, 700 kilometres north of Collaroy-Narrabeen, an interviewee said: 'The value of coastal land in NSW is exorbitant […] You have to consider compensation, but when you calculate it, it's frightening' (Frohling *et al.* 2019:6).

The second implication of abstract property rights is that the physical land is absent in legal education and judicial proceedings, a process that has been called 'dephyscalisation' (Graham 2011). Of course, it is difficult to reconcile what we see in the landscape with the idea that property is abstract; ornate fences, bland fences, walls and letterboxes all point to property being real and tangible. Yet what we see in the landscape is what Graham (2011) names a *lawscape*; it is the physical embodiment of *practicing* property law in a conceptual way, the consequence of which is a largely immutable and maladapted landscape. This is particularly evident in the case of Collaroy-Narrabeen, where a seven-metre wall of concrete and steel now defends properties. It is, in many respects, a manifestation of the dilution of public law, whose purpose should be to regulate land use for the public. While environmental law is about limitations, the law of private property is about individual liberty. Environmental law is 'quarantined,' poised only to enter the picture when the battles fought in property law – primarily questions of who has the priority claim to property – are settled (Graham 2011:161). The pulls are in irreconcilable directions, yet where private property interests have embedded themselves into State legislation, local government has little jurisdiction to regulate land use.

The regulatory framework for planning requires local governments to consider State planning instruments when deciding development applications (Pain 2021:298). Local governments, therefore, are limited in their ability to regulate land use. Yet local governments may find themselves in a position where they face litigation over past land-use decisions. Private proprietors may sue local governments, arguing that councils failed to consider the risk that climate change posed when granting development consents. Although NSW is the only state to have a statutory defence against such claims – s 733 of the *Local Government Act 1993* (NSW) effectively expunges liability for damage wrought in coastal zones so long as the council acted in 'good faith' – local governments are not endowed with a litigation budget. Regardless of whether such actions would ultimately succeed or fail, local government is not in a position to weather an onslaught of legal storms (Corkill 2012; Corkill 2013).

The political dimension: how asset logics have permeated adaptation policy

The proprietors of houses in advanced capitalist economies are also receiving growing attention. In the political science literature, the so-called 'forgotten middle' – the propertied middle class who, until recently, were not accorded attention because they were neither the ultra-rich nor the very poor (Atkinson and Brandolini 2013:78) – is garnering much more attention because its shared material stakes in asset wealth apparently sways political decisions. Chwieroth and Walter's *The Wealth Effect* (2019) points to a new paradigm across advanced liberal market economies where there is a rising expectation amongst the middle class of asset protection by the government, manifest in the expectation that governments will bail out the banking sector during banking crises. This then translates to voter pressure on incumbents, a form of electoral punishment in which constituents will vote out politicians for failing to protect their asset wealth.

Crises – be they banking crises (Chwieroth and Walter 2019 explore), public health crises (Maalsen *et al.* 2021) or the climate crisis – give rise to what Maalsen et al. describe as an 'intensified commitment to the politics and policy of asset inflation' (2021:22). In local politics, political scientists have pointed out that homeowners mobilise (and are therefore over-represented) in local governments, pressing for policies that shore up their asset values, for example, zoning laws that favour homeowners' interests (see Fischel's 2001 'homevoter' hypothesis or, more recently, Yoder 2020). All these studies point to dynamics in which political outcomes are, in one way or another, moulded by the interests of proprietors who sit on housing stock subject to surging demand.

These dynamics are evident locally in the political arcs that surrounded the eventual approval and construction of the artificial seawall at Collaroy-Narrabeen Beach. The deadlock that the Council found itself in by 2016 was one borne from decades of pro-asset inflationary policies, combined with the institution of private property in law. The houses had become too valuable to buy back. The seawalls that eventuated were the product of fierce campaigning by shorefront owners, and a consequent dramatic overhaul of coastal management regulation. The critical dimension is asset logics: shorefront owners will not let the sea take their houses, framing their push for seawalls as the *right* to protect their assets. Increasingly, Councils may face litigation for past land-use decisions that have allowed development to occur along vulnerable coastlines. In the case of Collaroy-Narrabeen, the socialisation of private risk was seen in [1] the legislated path that saw seawalls approved partially on Crown (i.e. public) land and [2] a formal avenue for those private works to be subsidised.

The emergence of this outcome can be understood in historical context. When, in 2002, the then-Warringah Council (later to become the Northern Beaches Council) unveiled its first proposal for a seawall, it sparked community alarm. Three thousand people, including locals, conservationists, and surfers, formed a human chain to compel the Council to rescind the proposal (Australian Associated Press General News 2016). The protest is symptomatic of the divisive nature of seawalls: their existence serves only to protect the private properties behind them and, in the process, the beach itself suffers. At that time, the seawall plan was abandoned. Subsequently, the Warringah Council (as it then was) attempted a buy-back scheme, a mechanism of planned retreat whereby the Council would act as the highest bidder for the shorefront properties sold on an open market. However, because the shorefront owners would have to voluntarily opt-in, the scheme failed. It was revoked in 2007 after only two houses were bought back (Gilmore 2007).

By 2014, the Council and its residents found themselves at an impasse. The policy of planned retreat had failed; it was fiscally impossible for the Council, and regardless, the buy-back scheme was voluntary, and shorefront owners were not willing to relinquish their houses. When the idea of a seawall resurfaced in its embryonic form as a Council proposal embedded in the Warringah Council Coastal Zone Management Plan (2014, hereafter CZMP 2014), the same schism between inland residents and shorefront residents arose. A report summarising the consultation process elucidates the polarisation, stating that 'the response to the policy and proposed CZMP amendments *varied considerably between property owners and the broader community*' (NBC 2016, emphasis added). In the roundtable discussions, the shorefront owners agreed that the Council should develop guidelines for seawalls but, importantly, they *agreed unanimously* that the property owners themselves front the costs. The finalised CZMP read: 'property owners to be responsible for protection of their properties' (Warringah Council 2014).

Meanwhile, the NSW Government's Department of Environment and Climate Change issued a sea level rise policy statement that sought to exonerate the State government of responsibility and liability for damage to private property caused by climate influences. It said the government 'does not have nor does it accept future obligations to remedy the impacts of coastal hazards on private property' (DECCW 2009:5). The extent of support, the document reads, remains only in times of emergency and 'compensation will not be provided for any impact on property titles due to erosion or sea level rise' (DECCW 2009:6). It also states that development consents for private protection works will remain the domain of local government, however noting that private proprietors will 'not normally be permitted to construct works on Crown land' (*i.e.* land held by the State government for the benefit of the public).

The question being addressed in this article then is why do seawalls exist along Collaroy-Narrabeen partially on Crown land and paid in part by the public purse today? It seems evident that the pivotal point when the Council's attitude switched towards socialising private risk was the storm that occurred on June 6, 2016. On that night, an east coast low combined with a king tide created unprecedented damage to the short strip of coast. The ocean swallowed entire walls of houses and a private swimming pool collapsed into a pile of rubble and mud. Immediately following the storm, Peter Kelaher from PK Property Group voiced a dire warning, saying that the storm 'would affect all beachside properties [values] from today onwards', predicting that the area would become a 'ghost town' and saying that he would not be surprised if homes depreciated by sixty percent (Duke *et al.* 2016). Far from the anticipated depreciation, however, the properties on the cusp of a rising ocean have continued to rise in value. This is evident from inspection of data on recent apartment sales on *PropertyValue.com.au* for the properties listed to receive subsidies by NBC (2016). Some apartments have sold for over $3 million. A single 'reason' for the ongoing market buoyancy is difficult to isolate, of course, because many factors contribute to the continued demand. One factor could be buyers' self-deception: 'reality denial,' explains Bénabou and Tirole (2016:144), 'is the failure to update beliefs properly in response to bad news'. But, of course, the fact that the seawall was built has provided reassurance too.

Why, in response to the increasing threat that climate change poses to private property, was the route of property defence chosen? This article suggests that asset logics seep into the modern property right (*i.e.* a landowner's expectation of future value), calcified in the legislature (i.e. public law) through the political process. In other words, political incumbents will not allow private property to be subordinated to stricter planning laws that may see the properties of their constituents devalued.

To demonstrate this point, it is necessary to consider Collaroy-Narrabeen's political preferences. Federally, both suburbs sit within the division of Mackellar. Until the last Federal election, the seat had been an Australian Liberal Party (LP) stronghold since its inception in 1972. Nationwide, the LP is generally considered socially conservative and economically liberal. Prior to the 2022 Federal election, the suburbs of Collaroy and Narrabeen were in what was known as the 'blue ribbon' belt: safe conservative seats of the LP with little contestability or political polarisation. The same has been true of NSW State elections; Collaroy (which falls in the Wakehurst division) has been Liberal and independent conservative since 1973, and Narrabeen (which sits in the Pittwater division) has been Liberal since 1984. Yet the normative culture of homeownership that one would expect from economically Liberal voters – that one embraces the free market and reaps its benefits but accepts its costs – was seemingly abandoned during the critical storm event in June 2016.

Put simply, the demands of the shorefront property owners have shifted dramatically, reaching fever pitch following the 2016 storm and settling on a unanimous call for public subsidies for their private adaptation works. This is not necessarily surprising, as political psychologists and behavioural economists have long established that voters do not remain ideologically 'pure' in their preferences. Though we may expect affluent, conservative voters with large asset wealth to disavow government intervention, many studies in political science demonstrate that voters tend to express preferences that outwardly appear to contradict their political leanings. This 'motivated reasoning' is a form of cognitive dissonance wherein people unconsciously reason their way to preferences that benefit them (Epley and Gilovich 2016). It is evident in what Mettler (2018) has dubbed the 'government-citizen disconnect,' whereby citizens who seemingly resent big government also favour tax give-aways to the middle class. These seemingly illogical positions, Mettler finds, is symptomatic of a self-attribution fallacy: the idea that well-being results from one's deservingness rather than being bolstered through social provision.

When the then-Premier of NSW Mike Baird of the Liberal party visited Collaroy and Narrabeen beaches on the day following the storm, he openly contradicted his own State government's stance that protection of exposed coastal property was the responsibility of the homeowner and the Council (see DECCW 2009 October). With the damaged properties setting the backdrop for his televised interview, the Premier announced that the government would assist in fortifying the properties against the sea and, significantly, that it would be 'right to look at using public funds as part of that process' (ABC News 2016). During the same interview process, the then Emergency Services Minister David Elliott expressed the opposite view, which had been the previously prevailing position, saying: 'I don't know what the government can do to encourage people not to buy coastal homes.' He reiterated that it was the role of the insurance industry and the homebuyer to check exclusions on the insurance policies but, where both failed, 'it is not the role of the government' (ABC News 2016). Nevertheless, it was the Premier's promise of public money towards private adaptation works that came to fruition.

Following the storm, the demands of the shorefront owners intensified pressure on the government to respond by legislating pathways for the development of artificial walls and making public funding available. The Facebook page of a campaign group called *Coastal Protect Collaroy,* run by shorefront owners who felt the Council was not sufficiently responsive in getting their seawall and subsidies approved, sheds light on the types of demands they had at the time. A post on 26 July 2019 reminds readers of the 'millions spent building a seawall for Collaroy carpark' while 'residents are prevented from building their seawall.' The post goes on to detail the excessive use of Council money on, for example, 'bins that no one wanted and that are 33% smaller' while simultaneously 'holding residents to ransom' with 'hostile conditions that they must accept in return for protecting their homes (at their own expense).' What is perceived as 'hostile conditions' is the time-limited consents; that is, the development approvals for the seawalls were not granted in perpetuity; instead, they were to be reappraised after 57 years. Several consistent motifs appear across the group's posts, including public versus private liability ('home owners' rights were washed away into the sea,' 'unequal treatment for beachfront properties'), the right to protect private property ('[residents] have the right to protect their own private properties at their own expense and free of exploitation'; 'your greatest asset – your home – deserves to be protected;' 'governments start out telling you that you can't protect private property […] next it will be communism'), the perception of intentional asset devaluation from planning elites ([Council wants to] 'impose the removal of the wall at a time to devalue the properties and buy them back for a song') and electoral punishment on incumbents ('time for those responsible to step down;' 'they [the Council] should pay with their jobs') (see *Coastal Protection Collaroy*).

In those same years, coastal management in NSW underwent significant reform. The *Coastal Management Act 2016* (NSW) (*CM Act*) replaced the *Coastal Protection Act 1979* (NSW) (*CP Act*), an Act which had operated in tandem with the *Environmental Planning and Assessment Act* 1979 (NSW) (*EPA Act*) to regulate planning and coastal management in NSW since 1980 (Pain 2021). In 2016, when the new *CM Act* was passed, the *State Environmental Planning Policy (Coastal Management)* 2018 (*Coastal Management SEPP*) amended the *EPA Act.* Councils now had to prepare coastal management plans if their location fell within a coastal management 'zone' under the *Coastal Management SEPP,* a process which would then grant the Council access to funding under the newly created Coastal and Estuary Grants Program. Four zones were created: coastal wetlands, coastal vulnerability areas, coastal use areas, and coastal environment areas. Notably, coastal vulnerability areas – areas exposed to coastal hazards such as beach erosion – have not yet been mapped and, therefore, not adopted (see s 6(3) of the *Coastal Management SEPP*). Nicola Pain speculates that when (or if) a coastal vulnerability area has been mapped and adopted the mapping will prove controversial because it would cause asset devaluation (Pain 2021). As it was, Collaroy-Narrabeen beach was mapped as a 'land use' zone.

The legislation required a fresh CZMP to be drafted. While in the new CZMP (2016) the old divisions remained (i.e. shorefront owners versus inland residents), the demands of shorefront owners had shifted. Now, they vied not only for development consents but also public money to subsidise the wall's construction cost. The submissions from [affected] landowners 'requested greater public funding for new works' (NBC 2016: Item 8.1). This is a remarkable shift from the position of the 2014 CZMP, where shorefront homeowners had agreed unanimously that they would bear the burden of the construction costs of any seawalls. The pendulum had swung to meet their demands and, following Collaroy-Narrabeen's successful seawall, other urbanised shorelines across NSW's coast followed suit to obtain similar subsidies under the new Coastal and Estuary Grants Program (NSW Department of Planning and Environment 2018).

How asset logics dampen planning law

The economic, environmental, legal and political perspectives can be brought together to address the question: Why was private adaption infrastructure pursued at the expense of (*prima facie* more logical) solutions, such as planned retreat? Or – to focus more directly on the *change* that occurred in the Collaroy-Narrabeen case – why were the houses not simply allowed to fall into the sea, as had happened several times in the twentieth century when property along the same stretch of coast sustained irreparable damage? An autobiographic account from the 1940s detailing the lives of the two authors who boarded in a rooming house on Narrabeen beach is illustrative of the latter aspect. The inhabitants of the house in which the authors lived were all 'very poor' in what was then a working-class suburb (Park and Niland 1956:157). When a coastal cyclone sent the waves crashing 'like a ton of bricks on the roof,' the inhabitants scattered like 'storm battered birds' (165). The residents of Narrabeen, described as castaways, salvaged what they could and moved elsewhere. Today, the proposition that affluent peoples' homes simply be left to wash away incites moral outrage and a semblance of existential panic amongst those who see their own experience reflected in the Collaroy-Narrabeen shorefront owners'.

The dimension added by the 'asset economy' literature is the most obvious answer to this puzzle, pointing to the significant historical shift that has taken place in the political culture corresponding to the role that assets have come to occupy in advanced capitalist economies. Housing now represents an entrepreneurial activity (Fligstein and Goldstein 2015; Spiers-Butcher 2014). The Minskian household to which it has given rise (Adkins *et al.* 2020) rests on the embedded assumption that households accept the risk of homeownership in return for having been allowed to, effectively, gamble with properties. Some confirmation of this market-based view of property risk may be taken from the fact that people in the two suburbs on which this article focuses, Collaroy and Narrabeen, have almost unwaveringly voted for conservatives at every level of government since their current electoral boundaries were drawn. Yet, as we have seen, when the market narrative failed (*i.e.* the insurance industry would not absorb the risk of making payouts to increasing numbers of private properties located on emerging climate fault lines), the demands of shorefront owners began to pivot towards a position that demanded public socialisation of the risk.

Asset logics are clearly at play here on two levels. First, voters exposed to property damage will not default to a mandate of self-responsibility. This is perhaps most visible among the shorefront owners of the *Coastal Protect Collaroy* campaign. There, the paradoxical call has been for both the right of the individual to protect their own private property *and* asset protection from local and State governments in the form of subsidies. Second, and most starkly, adaptation infrastructure and planning law have been used as a tool in defending asset wealth. Collaroy-Narrabeen's 1.29 km seawall is remarkable precisely because it was the first such thing to be subject to subsidies and development consents under the State's new Coastal and Estuary Grants program (NSW Department of Planning and Environment 2018).

Considering the political economy of asset logics also adds a dimension to scholarship on land law. Some of the core interests in property law are the right to *use and enjoy,* to *alienate* and *exclusively possess* property. The unstated interest emanating from the phenomenon of financialised property is the right to – and, indeed, the expectation of - enduring wealth promising future returns. Property has now been established as valuable capital. While legal scholarship may assert that property is an abstract 'nothing' (Gray 1991), it is the opposite for the Minskian household: property as an asset, has become everything. The implications for public law that seeks to regulate land use are clear. As illustrated in this case study of coastal management and planning regulation, environmental policy is constrained by private property law. Speculative real estate cannot be acquired by state authorities without compensation commensurate with the value of the property. Further, if shorefront owners sued public authorities for past land-use decisions that resulted in property damage, the damages awarded would be tethered to the value of the property. Finally, the groundswell of the middle (and upper) class whose wealth portfolios have been hugely inflated would undoubtedly lead to an up-tick in litigation where that wealth was under threat from asset price depreciation.

These ramifications of asset logics permeating land law in relation to climate change and understandings of public responsibility are already playing out in ways that the case of the Collaroy-Narrabeen seawall has exemplified. Despite what appears to be a deadlock, further change is inevitable. No quantity of artificial adaption can protect properties from coastal catastrophes indefinitely (Freudenberg *et al.* 2016; Pilkey *et al.* 2016; Craig 2019). While adaptation infrastructure has (in the short term) offered a perverse incentive to stay, a time will come when defending exposed properties is untenable. One such forced change may relate to the law arising from the doctrine of accretion. Applying to the issue of sea level rise and submersion, the doctrine of accretion – a principle of common law inherited from Fourteenth Century Britain – says that the mean high water mark defines tidal boundaries, and where properties fall below the mean high-water mark due to 'gradual' and 'natural' changes in tidal water, the property is 'quietly' transferred to the Crown (Corkill 2012; Corkill 2013). Contrary to what is commonly believed, the indefeasibility of title does not promise that the boundaries of that land remain constant in perpetuity (Corkill 2012:52); it simply means that title cannot be defeated save by someone with a better claim. Land that comes to fall below the mean high-water mark is no longer the land of the (private) registered proprietor; it is considered the foreshore or bed of tidal waters, owned by the Crown on trust for the public. Where the doctrine has been tested in courts – for example in *Environment Protection Authority v Leaghur Holdings* – it was confirmed that the proprietor did not own land 'so taken by the sea' (Allen 1995).

Conclusion

This study has shown how economic, environmental, legal and political issues intermingle in what will surely become an increasingly common situation where private property values are impacted by environmental change, such as damages wrought by coastal cyclones and coastal erosion.

A clear principle to emerge from the analysis is that, particularly for over-developed coastlines, political will is required for land-use decisions to be revoked. Historically, the residential zoning that coastal communities around Sydney received was granted to construct fishing shacks. Now, with the owners of highly valuable properties in those locations seeking to defend their properties against damage associated with climate change, new challenges must be confronted. In the Collaroy-Narrabeen case on which this article has focussed, the seawall is subject to a sixty-year consent, meaning that the development consents will be reappraised after 57 more years. The problem remains, however, that shorefront property owners defending their personal asset wealth are likely to turn to the courts in a 'storm of litigation' (Corkill 2012:56-7; Corkill 2013). The planning instrument of 'vulnerability' zones under the *Coastal Management SEPP* has promise, but what transpires when, or if, coastal communities are mapped as 'vulnerability' zones rather than 'land-use' zones remains to be seen. By then, the infeasibility of preserving private properties against myriad climate threats could force planning law to re-evaluate whether it serves the interests of private property rights or the broader public interest.

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ON THE LIMITS OF RENTIER CAPITALISM

Mike Berry

Following the global financial shock in 2009, the associated economic recession, a further decade of austerity, and then the pandemic, global capitalism has limped into a period of stagnation and an inflationary burst. The OECD (2023) has revised down its forecasts for economic growth across the major national economies, including China. And yet, capitalism continues to generate ever-increasing incomes and wealth for the managers and owners of capitalist businesses, clustered in the top ten, five and one percent of the populations of those same countries. Concurrently, most people see their real incomes and living standards falling. The increasing income polarisation and inequalities of wealth and opportunity are being expressed in popular discourse as 'a cost-of-living crisis'.

Political economic commentators point to the underlying structural and institutional changes in the nature and dysfunctionality of contemporary capitalism in its current global manifestation. Among other features, attention has been focused on 'the financialisation of capitalism' (Albers 2016) and on the parasitic super-rich (Sayer 2015; Mazzucato 2018). Brett Christophers broadened this scope somewhat in his book *Rentier Capitalism* (2020), arguing that something important has happened to require a radical change in analysis and progressive public policy. In this article, I attempt to unpick this claim, focusing on the arguments in Christophers' book. In doing so, I treat housing provision as a particularly useful case to illustrate the limits of the concept of *rentier capitalism*, both to understand the significance of the developments described and the implications for public policy.

Berry, M. (2024)
'On the Limits of Rentier Capitalism'
Journal of Australian Political Economy
No. 93, pp 28-45.

What is rentier capitalism?

Christophers claims to have identified a new ('highest'?) stage of capitalism, or at least a new variant. It is one with deep historic roots in Britain, the case he concentrates on as the 'purest' exemplar of a trend also discernible in other western capitalist societies. To briefly summarise his thesis, Christophers identifies seven channels by which the wealthiest 1% of people in Britain accumulate and preserve their wealth.

First, wealth is appropriated through acquiring financial assets. Increasingly, the wealthiest people gain most of their annual incomes from interest and dividends, lightly taxed capital gains, and through the bonus-fed remuneration packages of the senior executives of large corporations who figure prominently in the top 1%, enabling them to rapidly accumulate wealth through tax reduction practices. This observation has long fuelled debates over the 'financialization of capitalism', particularly since the onset of the Global Financial Crisis (GFC).

Second, wealth flows to the wealthy from control over the exploitation of natural resources through licencing agreements with governments or other owners of rights that generate 'rents' through product sales.

Third, wealth is hoovered up by those who own intellectual property (IP), the rights to which are embedded in law and hence depend for their efficacy on the general rule of law and the sanctions of the state lying behind the legal system. 'Rents' to IP accrue in the form of product sales and licencing agreements, with Big Pharma being the leading horse in this field.

Fourth, 'rents' arise from the invention and deployment of proprietary digital platforms through commissions and licencing agreements.

Fifth, letting of service contracts through supposedly competitive bidding processes, especially by government outsourcing, generates service fees.

Sixth, infrastructure provision by private consortia taking over ownership and operation of assets privatised by government agencies has radically transformed contemporary capitalism in many countries during the neoliberal era, and supercharged the ability of capitalists to extract profits, especially where these strategic assets come with intrinsic monopoly power attached.

Finally, land ownership has become concentrated, by the privatisation of publicly owned land, generating rivers of land rent to its owners.

‘Rentier capitalism’: an incomplete lens

Christophers has documented important observable developments with significant social, political and economic consequences. However, as I argue in this article, he puts too much focus on the first word in the term ‘rentier capitalism’ and not enough on the second. My critique has two aspects. First, his analysis adopts an empiricist cast that is dominated by describing developments on the ground but ignores the underlying causal mechanisms that drive those observable outcomes. The second substantive limitation is his failure to explain *why* the trends he observes are manifesting as they do (and not some other way) and what are the limits to ‘rentierisation’. What are the silences? What is *not* happening and why?

Christophers adopts a positivist-empiricist methodology, rather than a realist approach that would seek to explain why and how events are unfolding in real time and space. As I have argued at length elsewhere:

> Realist, as opposed to positivist/empiricist, approaches to explaining observed regularities in social life, are not satisfied with a ‘deductive-nomological’ theory that deduces those regularities from general laws. Positivism is a ‘thin’ philosophy of scientific explanation that refuses to deal with unobservable entities (like utility and value) or treats them as useful fictions to aid prediction (Berry 2023:4).

More specifically, a realist analysis attempts to identify the underlying ‘causal mechanisms’ in the realm of the 'real' that result in tendencies and countertendencies driving actual outcomes that may or may not be empirically observed, since available metrics are inappropriate or multiple contingent factors intrude (Bhaskar 1975; Outhwaite 1993; Reiss 2013).

Bhaskar identifies three domains of reality: the real, the actual and the empirical. Events in the empirical domain are or can be observed, either directly or indirectly by, for example, using calibrated instruments like microscopes and social surveys. This domain is separate, ontologically and epistemologically, from actual events that occur regardless of whether they are observed because they ‘may just happen to be unobserved because there is no one around to observe them, or they may be too small/large/fast/slow to be perceived’ (Outhwaite 1993:322). Thus, the tree *does* fall in the forest. Finally, as noted, structural tendencies and causally generative mechanisms in the domain of the real exist regardless of whether the actual events they tend to cause occur or are observed, since these tendential processes may or may not cancel each other out (Berry 2023:4-5).

For Christophers, 'rent' is a descriptive category for any income return to an asset owner or, more accurately, a return to the owner of an asset that can be monetised, like a parcel of centrally located land, a government bond or a patent. He offers no analysis of how the rent is determined, its size and its limits, other than to point to the institutionally embedded existence of monopoly power in the economy and unequal political power in the polity. But what generates the pool of profits from which those with monopoly power extract excess gains? And what are the limits to this economy-wide pool? What, in short, are the deep-lying real causal mechanisms and tendencies at work?

His is an 'end-of-pipe' analysis, focused on the realm of the empirical. The basic division is between asset owners and non-owners, without an explanation of how asset ownership results in ever-accruing expansions of wealth concentrated in a declining proportion of the population. Interest is only paid because profits are made somewhere in the capitalist economy. Patents only return licence fees to their owners because they are profitably applied by capitalists somewhere in the capitalist economy. Land returns an occupancy fee only because capital and revenues flow through the built environment causing production somewhere (some place) in the capitalist economy, thereby generating a profit. A further example: the 'rent' flowing to providers of services outsourced by government also depends on the prior creation of value and the taxes paid by capitalists, workers and others.

In short, what Christophers calls 'rents' are only the myriad ways in which profit is distributed throughout the economy and society. The extraction of profits across the economy is a necessary prerequisite, causally, for 'rents' to be appropriated in the form of interest, dividends, license and service fees, including for access to land.[1] In the current phase of advanced capitalism, the key causal mechanism can be characterised as the operation of the law of 'real competition' (Shaikh 2016) tending to equalise profit rates throughout the economy, overdetermined by the uneven growth of monopoly power that concentrates a growing proportion of total profits in the economy in the coffers of large corporations. The latter continually buttress their dominant position by deploying the techniques of market and political power that have long been identified by critics of the system, and which are also noted by Christophers.

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[1] Monopoly 'rents' are extracted from control over scarce resources but, in a developed capitalist economy, are indirectly appropriated from the total mass of realised profits.

From this vantage point, the key to understanding what is happening turns on what determines the total pool of profits in the economy. For Marxists the answer is provided by Marx's analysis in *Capital* of the workings out of the law of value and the circulation of capital throughout the economy, with all the tendencies and counter tendencies entailed.[2] The ubiquitous production and realisation of commodity values entailing the extraction and appropriation of surplus value is then distributed to individual capitalists in the form of money profits that underscore the distribution of 'rents' in their various forms.

In support of his claim that the key class division is between asset owners and non-owners, Christophers presents the following teaser:

> No asset – No rent – No rentier
>
> I contend that this should be, more fully:
>
> No labour – No value – No profit – No asset – No rent – No rentier

Profit arises from the production and sale of something someone wants to buy. Production occurs when human labour (usually collectively) changes material reality, with or without the use of tools and machines. 'The labour process in its general form breaks down into three components. The simple elements of the labour process are: (1) purposeful activity, that is work itself; (2) the object on which that work is performed; and (3) the instruments of that work' (Marx 1976:284).

That human labour is the decisive factor in all human societies is easily grasped. Drop a load of raw materials, machines and tools onto a vacant block of land. The only things produced will be rust and weeds. The same is true of a patent. If nothing is produced using the patent all the patent owner is left with is a piece of paper with legal writing on it (this, incidentally, is the fate of most patents and their owners). Absent intentional organised human labour, natural resources remain in the ground. Mining equipment doesn't operate itself – yet. And when it does it will have to be produced by human labour. Until artificial intelligence takes over completely, the robots will be built by – you guessed it – human labour.

This inevitably raises the question – where do profits come from? For Marx, as noted, profits are realised on the sale of commodities organised

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[2] I develop such an analysis in my book, *A Theory of Housing Provision Under Capitalism* (Berry 2023).

by productive or 'functioning' capital appropriating surplus value from wage labour, the direct producers. The speed of production and the total mass of surplus value and profits extracted throughout the economy will be boosted by the intervention of unproductive capital advanced in the exchange process and by financial capital. Finance, in particular, has come increasingly to regulate the overall circulation of capitals and mobilisation of labour on an expanding scale.

Unsurprisingly, then, the ownership of financial assets has become the major form of rapidly rising inequalities identified by authors like Christophers and Piketty (2014).[3] The other major form is ground rent, especially in its urban context. Berry (2023: Ch. 6) presents an approach to urban land rent that builds on Marx's original concepts of differential and monopoly ground rents.[4] It should be remembered that residential property ownership accounts for between 20 to 70% of total net worth in Western capitalist societies, though as noted, this proportion drops the higher up the wealth scale we go.

Understanding where 'rents' come from is critical because it is then possible to interrogate the limits to appropriation in all its forms inscribed through the contradictions that undercut the routine circulation of capital in search of profits. This is most clearly seen in the case of financialization. As capital is drawn away from the production of commodities (I include capitalist-provided services here), the total mass of surplus value extracted falls, undercutting the realisation of money profits across the economy and intensifying the competitive pressures on capitalists to 'accumulate or perish'.[5] Capital also flows through increasingly speculative channels,

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[3] Christophers refers to Piketty's law r>g which reflects the built-in tendency of the rate of return on capital wealth to increase faster than the overall growth of the economy, reinforcing the trend to wealth concentration. This 'law' has come under sustained criticism: see Berry (2017:Ch. 13) and Galbraith (2014).

[4] Marx's rent analysis was focused, as were the classical economists, on the dominant agricultural sector. But I argue that, following hints from Marx, the concepts can be adapted to the urban context. See further below.

[5] Marx himself confined his analysis of productive labour to the production of physical commodiies. At that time, services had a marginal place in the economy, mainly provided by petty commodity producers and domestic servants to the landed and commercial gentry. Their 'wages and board' represented not the expression of the capital-labour relation but the direct expenditure of individual capitalists on luxury consumption. In contrast, the service sector now constitutes the dominant core of the Western capitalist economy.

bidding up the market prices of existing assets like equities and land/housing. This was described by Keynes (1936: Ch. 12) as turning the economy into a 'casino' and by Joseph Schumpeter (1939:145-7) as a 'secondary wave' of speculative innovation. As always, speculation will feed off itself – until a shock like the failure of a major bank – brings the escalating surge in market ('fictitious') values crashing down.

"Speculation in its narrower sense of the word will take the hint and start on its course, or rather, anticipating all this, stage a boom even before prosperity in business has had time to develop. New borrowing will then no longer be confined to entrepreneurs, and 'deposits' will be created to finance general expansion, each loan tending to induce another loan, each rise in prices another rise (Schumpeter 1939:145)."

Speculation here goes beyond what Schumpeter called 'the primary wave of credit' that finances productive innovations resulting in marketable products to a 'secondary wave' that gambles ahead of the market in the hope that profitable sales will result.

In Keynes' (1973 [1936]:159) words:

> Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a steady stream of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

Speculation in the market values of existing assets draws accumulated wealth away from its recommitment to new rounds of productive capital accumulation (enterprise), thus undercutting the mass of profits from which 'rents' are syphoned.[6] This is, at the observable level, a zero-sum game in which the ultimate loser is the agent that gets left owning the asset when the speculative frenzy suddenly ends or is disrupted in a major way. Think of the shareholders of Northern Rock, the UK commercial bank forcibly nationalised by the UK government during the GFC; or the Silicon Valley Bank holding swathes of US bonds that had to be marked down in value as the Federal Reserve drove interest rates up and the bank to a forced takeover in 2023.

[6] This tendency is to be distinguished from Harvey's (1982) analysis of capital switching from the primary to the secondary circuit of capital, which entails both the productive and speculative pursuit of profits.

Thus, modern finance plays a double and contradictory role: first, speeding up the concentration and accumulation of capital on an ever-expanding temporal and global scale; second, stoking speculative surges in the market price of existing and anticipated assets whose future prices are radically uncertain and prone to sharp downward revisions, feeding into macroeconomic crises.

It is not only the bond market and financial engineering by 'the brightest guys in the room' that have imparted greater instability to the capitalist economy. Christophers notes that asset owners are overwhelmingly focused on 'sweating' their balance sheets, boosting the market value of their assets by appropriating 'rent'. But all economic agents (including governments) are focused on the 'health' of their balance sheets.

Minsky (1986) argued that the modern capitalist corporation (productive and non-productive) is increasingly at risk of bankruptcy due to the competitive pressures to over-leverage their operations. The more indebted, the greater the likelihood of failing to meet loan repayment and other short-term commitments.[7] A liquidity squeeze morphs into a solvency crisis. Typically, the financial structure of a firm goes from being in a 'hedge' position in which current revenues more than cover current loan and other liabilities with the surplus building a reserve or hedge against future downturns, to a 'speculative' position where a shortfall in current revenues to meet liquidity requirements is made up by drawing down reserves and 'refinancing', that is, borrowing more to repay past borrowings in the hope that future revenues will pick up. If they don't and once liquid reserves and avenues for refinancing are exhausted, the firm's balance sheet shrinks as liabilities overwhelm assets. This is a financing structure Minsky terms 'Ponzi'. Then it is only a matter of time before the creditors send in the liquidators.

As a general trend, the macroeconomic implications of a linked chain of Ponzi bankruptcies are to impart another crisis tendency to capitalism, resulting in a general recession and severe disruption to the circulation of productive capital, and consequently the flow of profits as 'rents' of various types. Minsky terms this 'the financial instability hypothesis'.

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[7] The individual firm's incentive to borrow in order to maximise return on equity is reinforced in many countries by favourable tax regimes.

There is, as noted, an underlying trend towards stagnation, as accumulated wealth is side-tracked into the speculative circuit away from the production of value and extraction of surplus value:

> No productive labour – No value – No profit – No asset – No rent – No rentier

In the absence of a flow of new income caused by the disappearance of opportunities for productive investment (enterprise), the bubbles of speculation erupt – until the music stops. The game of 'pass the parcel' eventually ends with someone unable to pass it on. Then the balance sheets of most economic agents, including the wealthy, shrink. Creative destruction does its work.

Of course, this process has unequal effects. All or almost all may lose, but some lose more than others. The super-wealthy are able to use insider information and political influence to deflect most of the damage away from themselves – witness the success of large banks and their senior managers in gouging bailouts from national governments and avoiding gaol time, while millions of workers lost their jobs, homes and pension savings during the GFC.

It is pertinent to note that Adam Smith made only a single obscure metaphorical reference to 'the hidden hand of the market' in his classic *An Inquiry into the Nature and Causes of the Wealth of Nation*s. It was a metaphor that has been eagerly grasped by orthodox economists and conservative interests to legitimate their neoliberal fantasies. Many more times in that great book, Smith castigated business interests and governments for erecting monopolies at home and abroad, referring to 'the conspiracy of merchants'. It was monopoly that Smith excoriated, the basis of extremes of wealth and poverty that he found inimical to the general welfare of Britain and other emerging capitalist societies. Adam Smith was a great moral philosopher, but:

> For Smith, the most pressing dangers to modern commercial societies arose not from the alleged impacts of markets upon morals, but from the way in which power and wealth could be reconfigured in ways that opened the door to the renewed domination of the weak by the powerful (Sagar 2022:203)

The circular self-reinforcing link between inequality, wealth and power is increasingly creating the capitalist landscapes described by Christophers and others. The political implications are not simply to attack the 'rentiers' – although a strong case can be made for the adoption of punitive taxation (see Saez and Zucman 2019) – but to ‘put sand in the mechanism’ by breaking the class power of capitalists in the uneven labour process. This means not only working towards genuine industrial democracy in the economy but also fighting for policies like a generous guaranteed universal minimum income scheme (not a ‘basic income’) and universal coverage in areas like health and housing (see the discussion of elements of a radical social democratic agenda in Berry 2017 and 2021). By breaking the absolute dependence of workers on selling the only resource they have – their labour power – at ‘market price’, the capacity of the 1% to harvest continuing ‘rents’ would subside like a deflating balloon.

The case of housing

Housing is primarily produced as a commodity in developed capitalist societies. But housing is a highly differentiated commodity sold in multiple submarkets differentiated by stock size, age, quality, functionality, location and tenure. The bundle of use values purchased by homeowners and tenants varies across these sub-markets which are interlinked on both the supply and demand sides. What happens to price and cost in one sub-market can impact the costs, prices and access in other sub-markets. As a long-term asset, housing also functions as a store of wealth and undergoes physical depreciation, obsolescence and renovation (revalorisation) over time, at different rates across sub-markets.

Most importantly, housing is as a joint product, comprising a structure and a site. The land-house package offering ‘usable space’ is the commodity in question. Even temporary shelter must have a site. ‘Permanent’ housing, whether in the form of a single dwelling or a higher density structure, is anchored in space at any point in time. However, a house may be separated from its current site by deconstructing and moving it to another site or by demolition. Any particular site can be switched to other uses, both residential and non-residential. The construction of new housing is a long and risky process, involving acquisition and development of the site, design and construction, marketing and finally sale to homeowners and landlord investors. A lot can go wrong during this process. Delays caused by bad weather, regulatory blockages, labour disputes, financial crises, general economic stagnation, regulatory changes and other unexpected contingencies can threaten to derail the process of land development and construction, completely or enough to cause the finished commodity to get to market just as demand collapses.

Capitalists operate in this uncertain environment, borrowing and advancing capital ahead of realisation through sale, all along the line, from the purchase of raw sites through subdivision, design, regulatory compliance, marketing and construction.[8] The price of the finished land-house package will reflect the relative quantities of socially necessary labour power expended in its production, determined by the double distribution of total surplus value in the economy through the force of uneven monopoly power modifying the competitive equalisation of profit rates across the economy in the form of 'prices of production'.[9]

The prices of new housing coming on the market will impact the observable resale prices of existing houses across the various sub-markets. These mutual interactions will also provide opportunities and incentives for capital investment in redeveloping existing houses and sites, a continuing process of revalorisation, the self-augmenting advance of capital in search of new profits through refashioning urban space, including the housing stock. It is here than a robust theory of urban land rent is vital to grasping why and how this happens and what the limits to the process are. For this purpose, Berry (2023: Ch. 6) adapts Marx's theory of agricultural rent to the urban context, applying different categories of rent, as follows.

Differential rent addresses the ways in which enhanced prices and excess profits are generated by houses located in places accessible to jobs, schools, health and shopping facilities, and convivial physical and social environments.[10] The higher prices for the house in favoured locations is

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[8] I am ignoring here the historical remnants of petty commodity producers, small self-employed builders and subcontractors and DIY enthusiasts who operate around the edges of the construction and renovation functions. But even these actors are constrained to purchase their means of production from capital commodity producers.

[9] Prices of production are dynamic (moving) equilibrium prices around which actual, empirically observed prices oscillate due to contingent supply and demand factors operative in each housing submarket. The tendency to equalisation of profit rates is caused by what Shaikh (2016) calls 'real' or 'turbulent' competition. For a more detailed account of capital circulation in the housing sector, see Berry (2023:Part I). For an alternative critical realist approach to housing studies, see Lawson (2006).

[10] During the 1970s qnd 1980s, there was an important and partly forgotten debate among Marxist economists on the theory of rent in the pages of the journal, *Economy and Society*,

'capitalised' into the land 'values' of adjacent sites, encouraging their redevelopment, often at higher densities. The widely described phenomenon of 'gentrification' demonstrates this dynamic, as does the creation of insulated 'gated communities' to meet the desires and deep pockets of the affluent. The first case reflects the appropriation of 'differential rent I'; the second of 'differential rent II'. More particularly, the expectation of future land rent galvanises landowners to intervene in planning and other government policies to facilitate urban change that delivers enhanced land rents. Thus, in a very real sense, urban development is the outcome of the never-ending quest for land rent. *But it is critical to see that this flow is dependent on the profits realised from the production and realisation of the new land-house commodity and the complex impacts across the existing stock submarkets*. Speculative development can quickly feed on itself and burnout just as rapidly, leaving developers, capitalists big and small, with devalued assets.

There is a second form of urban land rent – 'monopoly rent I' – that flows to landowners of sites that are in chronic excess demand, for example, housing located on the small number of sites with a stunning sea view. This is analogous to Marx's agricultural example of wine of a particularly appreciated type that can only be grown in a small region. In my city, Melbourne, there is limited remnant stock of Victorian terrace houses that command a price in excess of that caused by gentrification (DRI).[11] 'Monopoly rent II (MRII) can also be appropriated in cities where large land developers use their individual capital reserves to collectively control (that is, slow) the release of developed land to house builders in order to drive up new house prices. This effect was revealed in a report on land releases on the outskirts of Australia's major cities in the 2011-2019 period, finding a negative correlation between average prices and number of sales. Only 25% of rural land rezoned for urban development was released over that period. The report concluded:

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and the general literature on urban political economy. For example, see Edel (1978), Fine (1979), Harvey (1974, 1982), Ball (1979), Tribe (1977), and Haila (1988).

[11] The 'scarcity' of genuine stock is caused by the intersection of resident and investor 'tastes' and historical contingency. In Melbourne, unlike Sydney, the process of 'slum clearance' was less ubiquitously pursued by governments; and local communities were more resilient in opposing wholesale block clearance until the process of inner-city gentrification took off in the 1970s.

> If supply can be curtailed in this way, we suggest it shows that property markets are inherently monopolistic, rather than competitive; land banks are patiently managed and development projects are timed to maximise overall returns (Fitzgerald *et al.* 2022).

The capacity of developers to garner monopoly rent II can be enhanced by the actions and inaction of public policy, especially through government regulatory planning and subdivision systems. Delays, intentional or not, help to underpin the 'class monopoly power' of developers. So too have certain non-actions of governments, like the unwillingness of regulators to tax unreleased developed sites at sufficiently high rates to make land banking prohibitively costly or place stringent time limits on rezoned sites before planning permission lapses. Of course, other polices like betterment levies, and direct intervention by government land development agencies can also reduce the incentives for the exercise of monopoly power by private developers. The latter group is well aware of this fact and maintain close links to government, especially at the state and local levels to ensure that 'unhelpful' policy initiatives are kept off political agendas.

There are further constraints limiting the extraction of monopoly rent (MR II). Urban developers operate a kind of cartel, through a mix of tacit collusion and 'price leadership' by the largest members. But cartels are notoriously prone to 'cheating'. Each individual developer has an incentive to break ranks and rush product to market, while the rest hold back. Developers as a group play the classic 'prisoners' dilemma' game. Holding the line to prevent defection involves social processes of mutual reassurance through clubs and industry associations, and the implied threat of exclusion, expulsion, 'professional shaming' and takeover. Broader limits on MR II come from the increased incentive for more intense development within the existing urban area, a case of MRII being constrained by the greater appropriation of DR I and DRI II.

In general, the impacts of urban land rent on housing outcomes in cities with growing populations is to contribute to the historically observable upward trend in prices across many, if not most, housing submarkets. Other mutually reinforcing forces (tendencies) work in the same direction:

- quality improvements involving new technologies, fixtures and fittings that improve the bundle of use values for residents but also entail the costly commitment of more labour power in development and construction

- continuing growth in household numbers fed by immigration and natural increase
- the magnet effect of large urban settlements
- increasing economic inequality.

The growing inequality over the past forty years during the neoliberal era has been crucial in driving achievable housing outcomes up the income range, creating a systemic shortage of affordable housing for the bottom third to half of the population. The flow of capital through the housing system has been hijacked by the 'demand' of households with well-paid jobs or favoured by family wealth. It is important here to understand what is meant by 'demand'. First year economics students are told that markets meet human needs by allocating 'supply' to those who want the product. In fact, product is supplied to only those who want the product *and* are able to pay the going price: those who want the product but can't pay for it miss out, no matter how great their need. Claims that housing markets efficiently allocate stock across the population confuse want and need and ignore ability to pay. A system that routinely leaves people in precarious jobs and on government benefits – and even full-time workers on low to middle incomes - unable to find affordable housing appropriate to their needs cannot be said to be efficient in anything other than the narrow meaning attributed by Paretian welfare economics.

It should be obvious that governments exert significant influence on how housing outcomes emerge over time in advanced capitalist societies. Their impacts stem from the modes of intervention, regulation and allocation. That is, they arise through authoritative command backed by legal sanction or by the use of fiscal instruments, taxes, fees and charges, on the one hand, and public spending, on the other hand.

Under neoliberalism, as Christophers demonstrates, private investors – corporate, individual and institutional – have become adept at capturing the political-administrative levers in order to divert revenue flows to underpin their operations. It is, however, critical to appreciate how inequalities of power, increasingly tilted in their favour, are constrained by the general processes generating instability in the capitalist economy at local, national and global scales that, both routinely and unexpectedly, interrupt the circulation of capital, the extraction of surplus value and the distribution of realised profit along the various 'rental' channels created. These constraints also bite on the government fiscal resources available to facilitate capital circulation through the built environment and more generally. Historically, the dynamic growth of economies under capitalism has provided governments with the resources to carry out their many functions, including the regulation of urban development and investment in housing and infrastructure. The continued flows of value created underpin and limit these interventions and the 'rents' resulting.

The constraints on policy alluded to above implicitly refer to what Lukes (1975) termed the first and second 'dimensions of power: overt or implied coercion and 'non-decision-making'. The second dimension he also calls 'agenda power', pointing to the ability of the powerful to control the policy agendas of governments, and to keep certain policies from becoming an object of consideration, still less action. Housing and urban development policies have been a fertile field for the deployment of this agenda power. Land use and development is the classic symbol of 'private property', with historical overtones of pre-capitalist times when most of the population directly depended on access to land to survive. This inherent cultural resonance is overlaid by the current position of land ownership and development in underpinning the wealth and power of the dominant class.

The house is also a material container of the 'home', as a complex socially constructed world of intimate interpersonal and community relations. Thus, governments of all persuasions tread carefully here for fear of sparking resident outrage, further clearing the field for capital to flow unimpeded through the built environment in search of enhanced land rent. At the same time, the home has become an arena for the more intensive penetration of capital, through the marketing of domestic consumer goods and the commodification of household production (Uber Eats, cleaning services, care) as gender roles are redefined and electronic outwork breaks down the historic material and cultural barriers between work and home.

These developments reinforce the 'normalisation' of capitalism in everyday life, expressing the third dimension of power identified by Lukes: the capacity of some agents to benefit from the unconscious compliance of other agents to situations that objectively benefit the former at the expense of the latter. Policies that would potentially benefit the powerless are off the agenda because they are literally 'unthinkable'. 'Indeed, is it not the supreme exercise of power to get another or others to have the desires you want them to have – that is to secure their compliance by controlling their thoughts and desires?' (Lukes 1975:23).

Conclusion

What I have set out to show here is that *rentier capitalism* is not a new form or stage of capitalism. Rather, it is the 'perfection' – or at least, the evolution – of the way that capitalism has always worked but now operating in the political economic circumstances of the world today. It is the old beast in new clothes. Neoliberalism has cleared the field for virulent forms of exploitation to prosper, driving increasing inequalities of income, wealth and power in this century. The *rentier capitalist* concept is limited in the double sense used in this article. First, it over-concentrates attention and responses on the consequences of capital circulation; and. second, it misses the forces that circumscribe the capacity of 'rents' to be extracted in the turbulent environment of the modern capitalist world. Christophers and others have focused on the 'end-of-pipe' consequences of these developments and provided useful accounts of the contours of this 'progression'. But it is also necessary to explore and understand what goes into and through the pipe and what determines its flow characteristics. By taking one of Christophers' seven channels of rental flows – urban land rent – I have sought to illustrate how this can be approached.

Capitalism has proved remarkably resilient as a means of social reproduction because its institutional form changes as new contradictions and crises emerge, sometimes unexpectedly and with often devastating consequences. The most critical crises and contradictions today are climate change, pandemics and artificial intelligence, assuming that nuclear Armageddon can be kept off the human agenda. Watch this space.

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NAVIGATING ECONOMIC TRANSITION:
THE HUNTER JOBS ALLIANCE

Dylan Ferguson

The shift to renewable energy generation presents both challenges and opportunities for the Hunter Valley region in NSW. A region historically dependent on coal must transition to a more sustainable economic base, but there are important questions about *who* should be the drivers of change and *what* should be the nature of the changes. In the Hunter Valley, the energy transition is currently being led by undemocratic structures of private ownership that control the energy sector, supported by the capitalist state which acts in the interest of private capital accumulation.

The Hunter Jobs Alliance (HJA) has developed as a counter to these undemocratic features, seeking to mobilise workers, communities and environment groups to press for economic democracy within the Hunter Valley. The organisation is conflicted, however, between strategies that support capital accumulation and those that promote the principles of economic democracy. This article explores this tension. It begins by providing a brief description of the Hunter Valley region and its current political economic challenges. Then comes a section on the origins and development of the HJA, exploring its potential role in challenging capitalist social relations within the energy sector and empowering workers and communities during a green energy transition. The following sections discuss the principles and practice of economic democracy that could be applied for this purpose and two case studies from which lessons can be learned. The article concludes by advocating stronger focus by the HJA on economic democracy as a means of improving the wellbeing of workers and communities.

Ferguson, D. (2024)
'Navigating Economic Transition: The Hunter Jobs Alliance'
Journal of Australian Political Economy
No. 93, pp. 46-65.

Political economy of the Hunter Valley region

The Hunter Valley in New South Wales (NSW) is located adjacent to the city of Newcastle. It stretches inland, covering a total area of 21,859 km^2, and has a population of 294,878 (Department of Regional NSW 2023). It has a rich history of coal mining that has been the lifeblood for the economy. Coal mining, manufacturing, electricity supply and agriculture have been the principal industries in the region, providing the lion's share of its $25 billion annual output in 2022. The coal mining industry directly employs 7.1% of the workforce, a stark contrast to the national average of 0.4% (Australian Bureau of Statistics [ABS] 2021). Electricity generation also plays a vital role, contributing $269 million to the Gross Value Added (GVA) in 2020 (Department of Regional NSW 2023). Approximately 40% of Australia's domestic electricity supply is generated in the Hunter Valley. This abundant and affordable electricity has created strong local manufacturing industries, including steel making, shipbuilding, aluminium, smelting and metal processing in the Hunter region (Evans 2008). However, concerns surrounding climate change and the impact of CO^2 emissions now require a shift from coal production toward more sustainable energy infrastructure.

Not surprisingly, the growth of the coal mining industry is steadily declining. The Port of Newcastle is one of the world's largest coal export ports – exporting a record 165 million tonnes in 2014. However, coal exports have been flatling and are predicted to fall by 2030 (Denniss et al. 2021). The coal mining sector in the Hunter Valley contributed 40% of the region's GVA, with an average growth rate of 5.5% from 2011 to 2020 (Department of Regional NSW 2023). Despite this, the percentage of total jobs in the region that are in mining has been falling - down from 9.2% in 2011 to 8.2% in 2021 (ABS, 2021). A combination of reduced coal demand in NSW and overseas has resulted in much slower growth than anticipated. Mining corporations in the region have not acknowledged this decline, however, choosing instead to highlight the increases in coal revenues caused by Russia's invasion of Ukraine (Saunders & Campbell, 2022).

Other economic challenges that face the region relate to general, nationwide changes in political economic conditions and policies. The economic crisis of the 1970s and early 1980s led to the partial dismantling the post-war Keynesian welfare state; and the shifts in statecraft which accompanied that process led to the privatisation of many government-owned assets. The severe recession that began in 1989 cemented neoliberalism and free market thinking into Australian economic policy and economic debates, providing the bases for sweeping micro-economic reforms that ensured the marketisation of public services (Quiggin 2013). Privatisation in Australia comprised the second largest sell-off of government-assets among the countries in the OECD (Chester 2015). Electricity privatisation has been a particularly strong focus, pushed by both major political parties during the 1980s and 1990s, and having substantial implications for the Hunter region because of its role in energy production.

Contrary to the 'free market' rhetoric that often accompanies neoliberal policies, the capitalist state played a crucial role in the construction and maintenance of this economic restructuring (Stilwell 2000). During the 1990s, important state-owned institutions, such as financial services, communications, electricity and transport, were corporatised (Chester 2015). The development of the National Competition Policy and the Productivity Commission in the early 1990s, operating in tandem with the Council of Australian Governments (now called National Cabinet), facilitated the marketisation of government owned assets. Lobbying from the Business Council of Australia (BCA) and corporate funded right-wing think tanks also began to infiltrate the political discourse (Beder and Cahill 2020). This led the way for the Victorian and South Australian governments to begin fully privatising their electricity assets in the early 1990s, followed by New South Wales (NSW) in the late 1990s and Queensland in the early 2000s.

Now that the shift to renewable energy has become necessary, the Hunter region's heavy economic focus on coal mining and coal-fired electricity-generation puts it prominently in the firing line. The region's economic and social future depends on a managed transition process in which the state and private capitalist interests are the key entities, State-led capital accumulation is evidently the dominant paradigm for addressing this challenge, with the main focus on private investment and profits while the state provides necessary infrastructure, institutional support and coordination. This implies continuity with the neoliberal era, with no direct voice in policy formulation and decision-making for the workers and local communities.

The Hunter Jobs Alliance

The HJA was established on 5 November 2020 in response to the growing concern about the energy sector and looming economic transition (Crawford 2020). It is a coalition of thirteen local and statewide unions and environmental groups in the Hunter Valley. It advocates for greater consideration of local communities, workers and the environment through the energy transition, presenting a compelling narrative that counters common misconceptions of 'jobs versus environment'. The HJA recognises that economic change is necessary and imminent because governments, both nationally and internationally, are legislating an eventual phasing out of fossil fuels. The HJA acknowledges and supports this green economic transition to reduce global greenhouse emissions; but it is also keenly aware that communities in regions like the Hunter that been economically reliant on production of fossil fuels risk being left behind in the energy transition.

The HJA combines various worker, community and environmental concerns with the capacity to challenge private capital accumulation by embracing economic democracy. However, the latter feature has not yet been prominent. Rather, the HJA's emphasis to date has mainly focused on attracting private investment and the role of the state in facilitating private capital accumulation. These tensions are explored in what follows by looking at the HJA's stance on the private energy sector, the state, and economic democracy.

The HJA and the private energy sector

In 2022, the HJA released a report into investment practice for the Hunter Valley, titled *Just Transition Investment and the Hunter Valley: Establishing a Model Region* (Hunter Jobs Alliance 2022). Its focus is on ensuring that workers and communities are included in the economic transition. It recommends various measures that are aimed at utilising both private and public investment to address the socio-economic challenges associated with the economic transition. For example, it cites the need for investors and the government to consult with unions and community representatives through 'worker participation in decision making on transition issues' (Hunter Jobs Alliance 2022:4). This recommendation bears similar ideas to the concepts of economic democracy, although the precise model for worker participation and decision making remains unclear. While worker participation in the transition debate is important and would improve outcomes for workers, HJA's proposals are not specific enough to be described as economically democratic.

The report puts emphasis on the role of government in aiding private investment as a means of leading the transition, highlighting the intent to attract global investment from private sector interests as a means of supporting the energy sector in the Hunter Valley. It states that: 'given the highly competitive nature of the global energy sector, the Hunter cannot afford to leave any stone unturned in how we stay competitive' (Hunter Jobs Alliance 2022:6). The HJA advocates for the state to facilitate a competitive private investment environment.

The private property relationship is also maintained in the report, with no consideration of alternative, collective forms of ownership. HJA demonstrates this commitment to private property relations within the energy sector through its focus on private investment attraction and job creation in the region as a means of supporting workers in the energy transition. The section in the report on *policy and partnership proposals* advocates for government led, region-specific investment vehicles to support capital and encourage private investment (Hunter Jobs Alliance 2022:8). The stated aim to 'attract investment, create jobs, and diversify the economy' in the renewable energy transition aligns with the NSW state government's policy focus on private capital driving energy transition (Hunter Jobs Alliance 2022:9).

The HJA aims to reform the private sector, through 'clear expectations of companies transitioning from climate-risk affected assets or investing in clean energy and decarbonised assets' and for 'investors to establish just transition aligned closures that best support workers' (Hunter Jobs Alliance 2022:9). However, the owners of capital still dictate the outcomes for workers. This is consistent with the general feature of capitalism in which the collective rights of workers and community are considered less valuable than the private property rights of capitalists (Cumbers 2020). It is this prioritising of private wealth acquisition by a small minority over the collective many that is the source of unequal impacts on communities during economic transition (Atteridge and Strambo 2021). The HJA recent support of private investment highlights its continued acceptance of the private sector's influence of energy transition.

The wage relationship also remains unchanged under the HJA conceptualisation of the energy transition. The HJA advocates for public investment by the state to support private industry and 'attract employment and business activity' (Hunter Jobs Alliance 2021c:10), but the language around employment and wage relations demonstrates a corporatised and business attitude that maintains employee/employer relationship. The HJA's support for local workers in the energy transition focuses around making local workers more attractive for private industry. For example, it states that 'skilled human capital is required for emerging business, therefore workforce planning and training is an important area for reform and attention' (Hunter Jobs Alliance 2022:11). While improving educational standards, particularly in regional areas, is critical, the fact remains that workers impacted by the transition need to up-skill in order to promote continued capital accumulation, or risk unemployment. Without workers' and community ownership, the wage relationship between worker and owner will persist.

The HJA's 2021 report advocates for a Hunter Valley Authority to oversee a process where employers must follow legislated guidelines that support workers impacted by the energy transition through a 'worker support service' (Hunter Jobs Alliance 2021c:13). This worker support service is to be financed by using revenues from the private sector and the state, providing high quality support navigating the labour market, retraining and referrals to similar industries, as well as financial advice. This is a significant advance on leaving workers to cope with whatever is the fallout from the operation of market forces. However, the HJA's position does not advocate workers' having a direct role in decision-making processes: rather, the emphasis is on protecting workers from the free market by advocating for the private sectors and the state to play an active role in supporting workers and their communities through the energy transition.

The HJA and the state

The HJA indicates the importance of the state in supporting the economic transition in the interest of the Hunter Valley region. Its 2021 report states that 'it is a widely recognised policy principle that governments have a role to assist regions undergoing significant economic shifts, particularly where there are significant risks or persistent socioeconomic harm' (Hunter Jobs Alliance 2021c:4). The HJA advocates for the state to play an active role in supporting communities and workers that are impacted by the green energy transition, through ‘planning, attracting investment and supporting workers’ (Hunter Jobs Alliance 2021c:9). Furthermore, it argues that governments must play a central role in regional economic change through ‘problem-recognition and intervention’ (Hunter Jobs Alliance 2021a:5). Although this emphasises the crucial role of the state in economic transitions and aiding communities and workers, it falls short of challenging private ownership and the interest of capital.

To highlight this point, it is useful to consider James O’Connor’s (2002) political economic understanding of the state’s fundamental role in creating or maintaining the conditions for profitable capital accumulation. In O’Connor’s reasoning, the state’s further role is ‘legitimation’ which requires ensuring ongoing acceptance of capitalism’s social relations. These two roles are in recurrent tension because the drive for capital accumulation and freer markets is in direct conflict with the conditions of ‘social harmony’, as one class of people (the owners of capital) is supported at the expense of other classes. The existing structures prioritise the profits flow through into high remuneration for corporate executives rather than the social condition of the workers and communities where the production is situated. Furthermore, while capitalist economies formally separate economic and political power, a complex network of informal relations exists between the state and owners of private capital (O’Connor 2002). The state supports (through financial and legislative means) private industry that generates capital accumulation over the interests of individuals and communities without access to capital. The result is state-supported capital accumulation.

Recent reports by the HJA (Hunter Jobs Alliance 2021b, 2023c, 2022) accept this approach to capital accumulation through advocacy of state-supported private investment. The HJA views rapid and substantial investments as the solution to the inevitable energy transition occurring in the Hunter. This position is clear in the HJA’s most recent report, stating:

> Addressing risks associated with climate and carbon exposure, and realising the opportunities of clean energy and decarbonisation, are key priorities for many investors. The key priorities in this task are aligning ESG (environmental and social governance) risk criteria and investor expectations with high value activities that are functionally effective in addressing transition on the ground, in affected places. There are significant opportunities to drive beneficiary value while making real and tangible contributions in regions (Hunter Jobs Alliance 2022:20).

There is much evidence indicating commonality between the HJA and the state in the supporting private investor capital driven transition. While the HJA advocates for investment conditions and regional coordination, these policies demonstrate a continuation of investor decision-making, dictating the outcome of the energy transition in the Hunter. Furthermore, there is little evidence in the policy recommendations of any concern with economic democracy, indicating acceptance of a continuation of decision-making led by the owners of capital and the state bureaucracy, rather than the local workers and community itself.

Whilst the active involvement of the government in the energy transition is essential, the HJA falls short in recognising or confronting the state's inclination to act in alignment with the interests of private capital. This is particularly relevant in the energy sector due to decades of privatisation of formerly government owned energy assets, as noted earlier in this article. Furthermore, the HJA reports rely heavily on the government leadership to drive change, while simultaneously ignoring the neoliberal economic policy framework that creates the conditions for an unjust transition. Without challenging the state’s support of private capital, through local and cooperative ownership models, the energy transition will predominantly benefit the owners of capital.

In previous reports issued by the HJA, mention was made of policies that advocated community ownership of energy production (Hunter Jobs Alliance 2021a). However, the more recent reports have focused on encouraging private investment as a means of stimulating the economic transition. The HJA highlights the tendency of capital investment to move out of communities once profit accumulation is no longer attainable: for example, as coal demand decreases, investors withdraw capital from coal production (Denniss *et al.* 2021). The result is that regional communities highly dependent on coal carry the economic burden of change. To deal with this, the HJA argues that the state must support new investment opportunities to direct capital back into the impacted communities. It argues for a ‘substantial funding pool, led by government which includes company and investor contributions’ as well as ‘a coherent program of worker support, investment attraction and job creation and rolled out well in advance of large structural, investment and closure shifts’ (Hunter Jobs Alliance 2022:3-4). However, the HJAs focus on private investment strategies downplays how private capital itself can facilitate negative impacts upon workers, communities and the environment, notwithstanding evidence within the Hunter Valley of interest in alternative forms of community energy ownership.

The HJA and economic democracy

In 2021, the HJA commissioned a report titled *Future-proofing the Hunter: Voices from our community*, aimed at understanding the community's perceptions of the changing economic landscape of the area (Hunter Jobs Alliance 2021a). This report surveyed a wide variety of stakeholders, including workers in the coal industry, professionals in fields such as social service, healthcare, education, individuals engaged community organising, and a diverse array of people from different socio-economic backgrounds with a broad spectrum of life experiences. There were 314 participants from 10 local government areas within the Hunter Valley, the majority of whom resided in Lake Macquarie, Newcastle, Maitland, Cessnock, Muswellbrook and Singleton. These participants were asked what concerned them about the region's future, and to discuss and rank the policy recommendations by the HJA to transition the Hunter.

This survey presented ten policies developed by the HJA, aimed at supporting workers and communities through the energy transition (Hunter Jobs Alliance 2021a). The results showed broad support for the HJA's policies (Table 1). The top reported response was for a *local authority to coordinate and fund job creation and community support*, with 17% of participants ranking this first. The next four top ranks were to *fund flagship projects that create jobs in new industries* (14.9%), *expand TAFE and vocational education* (13.9%), *market the Hunter to attract investment* (8.4%) and *create community-owned energy networks* (8.4%).

The survey reveals only modest support for community ownership of energy production, as shown in Table 1 on the following page. The top four policy recommendations uphold contemporary capitalist arrangements that maintain private property, market imperatives and employment relations. These policies of attracting private investment, developing new industries and up-skilling the local workforce imply continuation of capital accumulation in the private sector. Yet there is evidence of some willingness of the community to consider principles of economic democracy (Hunter Jobs Alliance 2021a). This alternative needs careful consideration, both in theory and practice.

Table 1: Results from a survey of 314 Hunter Valley residents asked to rank the recommendations from the HJA and Hunter Renewal for transition of the Hunter region

Cumulative Priority Ranking	Policy Recommendation	Respondents Ranking As Top Priority (%)
1	A local authority to coordinate and fund job creation and community support	17
2	Fund flagship projects that create jobs in new industries	14.9
3	Expand TAFE and vocational education	13.9
4	Market the Hunter to attract investment	8.4
5	Start Community-Owned energy networks	8.4
6	Build pilot projects for new industries	8.1
7	Create rules for mining and power companies to protect workers	7.9
8	Free training courses for mine and power station workers moving into new roles	7.5
9	A long term fund for land and water management after mine rehabilitation.	7.2
10	Grants and training for local businesses to diversity	6.7

Source: Hunter Jobs Alliance (2021a).

Note: The report is unclear on the sampling method (*e.g.* whether participants were randomly sampled, or if participants were affiliated with the HJA).

Towards a stronger role for economic democracy

Economic democracy is limited by the social relations of production under capitalism. Under capitalism, workers sell their labour to an employer in exchange for a wage. Although workers 'voluntarily' sell their labour, the employer effectively has ownership and control of their labour. In effect, the worker, through an employment contract, becomes the private property of the employer. Conversely, under economic democracy, self-governance within the workforce may eliminate capitalist ownership over the products of labour. For example, the role of cooperative ownership can transcend exploitative capitalist wage relations, by ensuring workers have influence over the means of production. Such concerns have been to the forefront of discussions of economic democracy, centered in the workplace to distribute decision making power between employers and workers (Solimano 2022). Historically, they emerged as a response to the challenges posed by the Industrial Revolution, which created widespread alienation of workers due to the inception of the factory system and the division of labour, although it was not until the 1920s that the term *economic democracy* was used to describe an alternative workplace practice (Cole 2017; Douglas 1920).

During the last half century, key contributions to analysis of economic democracy have included those by Dahl (1985) and Cumbers (2012, 2020). Dahl's *Preface to Economic Democracy* outlines the benefits of ownership and control of economic enterprises as a way of reducing political inequality, arguing that both corporate capitalism and bureaucratic socialism violate the principles and practice of democracy, resulting in political inequality. For Dahl (1985:61), economic enterprises should be owned and democratically governed by people that work in them because the democratic governance of the workplace is regarded as an 'inalienable right of people to govern themselves by means of the democratic process'. Dahl (1985:140) outlines three different types of ownership within self-governing firms: *individual ownership by members of an enterprise*; *cooperative ownership of an enterprise by all its employees*; and *state ownership*.

Broadening Dahl's focus on democratic governance within the workplace, the more recent contribution by Cumbers (2012, 2020) develops a fuller understanding of community, worker and environment relations and the diverse forms that collective ownership of production may take (Cumbers 2020). His writings present economic democracy as a necessary step to intervene in the *three pillars of capitalism*, namely, wage/employment relations, private property and the market. For the first pillar, worker-owned firms could reduce the prevalence of an important source of exploitation under capitalism: the wage relationship (Cumbers 2012).

Although workers still work for a wage, the collective ownership over the means of production subverts the wage relationship between owner and producers. Moreover, workers have a direct control over how the revenues are utilised through collective democratic decision-making over production (Cumbers 2020). Decentralised democratic decision-making by workers in the firms gives workers access to the means of production. In a cooperative enterprise, the workforce and the community have a say in the production process, undermining the owner/worker relations and thereby subverting the wage relationship.

For private property – the second pillar of capitalism identified by Cumbers – economic democracy offers an alternative through diverse forms of collective ownership of production (Cumbers 2020). As detailed above, the wage relationship under capitalism subverts the workers' agency and autonomy through employment contacts. Conversely, Cumbers conception of economic democracy empowers the workforce and diminishes capitalist control over the fruits of labour. Through cooperative ownership models, Cumbers demonstrates how collective decision making can surpass the exploitative capitalist wage dynamics by granting workers ownership over the productive process. Economic democracy does not necessarily imply the abolition of private property, however, but the development of a shared democratic ownership over the means of production.

Regarding the market – Cumbers' third pillar of capitalism – the effect of economic democracy is also significant. Although the market may continue to operate for the allocation of consumer and capital goods (Cumbers 2020), the major difference with economic democracy is profit structures. Under capitalism, profits go to the capitalist class as workers are considered as a cost in the productive process; whereas, under economic democracy, the workers retain the revenues after non-labour costs are deducted. Economic democracy maintains the market relationship in relation to the price mechanism of supply and demand, as central planning has a historical record of being 'both inefficient and conducive to an authoritarian concentration of power' (Schweickart 2011:51).

Thus, in rethinking the contemporary competitive and profit-driven ethos of the market, Cumbers effectively suggests a form of market socialism that develops new forms of social organisation to eliminate exploitative social relations within the workplace. These new organisations include cooperatives and worker-owned firms that sell goods and services on the market. Through democratic decision-making, workers and the communities take control over aspects of the market and reduce social and economic impacts not considered by the market.

It is important to recognise, however, that tensions may arise between cooperative ownership and trade unions. The wage relationship differs under cooperative ownership, as workers gain agency over the means of production. Conversely, the role of a trade union is largely to bargain for better wages and conditions across the whole sector of the workforce it represents. Tensions may arise if, for example, a cooperative decides to set wages below the award wage level, making the relationship with industry unions problematic. Mobilising workers to gain control of the means of production requires a conceptual shift of attitudes and ideology. Therefore, the elimination of capitalist ownership over the products of labour requires the backing of union groups advocating in the interests of workers. This raises questions of how economic democracy can transcend exploitative capitalist wage relations, while also conceptually shifting the workers' attitudes of union bargaining arrangements.

It is the practice, as well theoretical underpinnings, that is decisive in shifting perceptions of what economic arrangements are feasible and desirable. In considering what role economic democracy can play in an energy transition in the Hunter Valley, it is therefore useful to review evidence from practical experience elsewhere. For that purpose, two case studies of transition to renewable energy can be taken as illustrative, one from Denmark and the other, more locally, in Goulburn, NSW.

Case Study 1: transition to Renewable Energy in Denmark

An international example illustrating the practical relevance of the principles of economic democracy is Denmark's provision of renewable energy. The Danish renewable energy sector was built upon cooperative principles, creating a decentralised form of public ownership. Due to a long-standing tradition of localism in Danish society and effective state media campaigning, wind-power generation gained popular support in the mid-1970s, advocating for clean and sovereign energy (Cumbers and McMaster 2012). By 1975, Denmark began developing wind-powered energy technology and, by the early 1980s, wind-powered energy became the national strategy (Cumbers 2012). The Danish state played an important role in establishing this technology, decentralising the decision-making process during the 1980s and 1990s. The first key element of its national renewable energy strategy was that 30% of all investment in new wind turbines would come from the state over the decade, before being reduced to 10% in 2000. This provided the industry with support in its infancy, allowing for the development of wind-power technology and infrastructure. Secondly, the Danish state legislated that electricity distribution companies would purchase energy from renewable energy producers. This resulted in continued and stable investment within the industry, enabling its ongoing expansion and development. Furthermore, it encouraged large-scale wind turbine development and the expansion of wind turbine manufacturing, resulting in Denmark encompassing 50% of global wind energy technology and employing 20,000 employees.

The third and most important element of the Danish wind-power industry was the focus on local and collective ownership of wind turbines. A series of laws required the ownership of wind turbines by those residing in the areas where the turbines were situated. This creation of these 'residency criteria' or distance regulation laws, along with 'consumption criteria' laws that limited shareholding of individuals based on consumption levels in the mid-1980s, resulted in many small-scale forms of cooperative ownership and private partnerships between neighbours. By the late 1990s, cooperatives and local ownership accounted for 80% of wind farm ownership. This model, with the support of the state, developed collective ownership of wind-power energy around the country, creating a decentralised renewable energy sector.

The growth in this form of cooperative ownership resulted in hundreds of local cooperatives and mutual forms of ownership. The creation of organisations, such as the Danish Wind Turbine Owners Association, allowed for the members' perspectives to be heard by the state. These democratically elected bodies continue to exert considerable influence in national energy policy debates, providing a voice for communities and locals in the policy deliberation process. Consumer and producer-led decision-making is further supported through democratically elected representative local boards allowing for cooperatives to maintain the interest of communities, whilst having influence over the policy discussions that affect them. Spreading ownership and decision-making authority beyond a limited group of stakeholders to encompass the entire community allows diverse perspectives, representation and deliberation of diverse viewpoints to shape economic policy (Cumbers 2012).

The state's investment in the renewable sector and the compulsion of repurchasing arrangements protected the industry from the vagaries of the market. Support for cooperative ownership over energy production led to the rapid expansion of renewable energy infrastructure implemented by these communities on their own terms. The national strategy of the Danish government to invest in local wind power facilities owned by the community subverted the market and generated the growth in cooperative ownership, making the nation a world leader in renewable energy technology and energy production.

The Danish model demonstrates that government investment into community-based renewable energy generation can facilitate scalable electricity production without the need for privately owned energy corporations. This model shows the effectiveness of collective and local ownership and of community-based democratic decision-making about investment, resource allocation and environmental impacts. The Danish model offers clear lessons for the Hunter Valley. Perhaps most obviously, success in replicating the Danish model will require collaboration of all levels of government. This will entail implementing scalable electricity production designed with the community at the local-level; funding of cooperative energy production as a means of reducing domestic fossil fuel consumption at the state-level; and federal-level investment in the manufacturing and exportation of clean energy technologies.

Case Study 2: the Goulburn Community Energy Cooperative

Closer to home, another community ownership initiative is also relevant to the energy transition in the Hunter region. The Goulburn Community Energy Cooperative (GCEC) was established by the local Goulburn community in 2020, and has built 2.2 hectares of solar farms on industrial land, consisting of 4,000 panels that generate 1.8Mw – enough to power around 500 homes (Goulburn Community Energy Cooperative 2020). The project's initial support came from local investors who raised $2 million, which was then matched by the NSW State Government. The community project is financed by a percentage of the solar farm's annual profits that is retained in a 'Community Fund' prior to distribution to shareholders (Goulburn Community Energy Cooperative 2020). Furthermore, the entire Community Fund is distributed back to the community of Goulburn, with a percentage distributed to residents living in energy poverty. This includes educating disadvantaged households in the efficient use of energy and providing the means of lowering energy consumption by conducting home energy audits.

Importantly, the GCEC operates as a cooperative, in which each member has one vote on decisions that concern the project, regardless of the size of their investment (Huntsdale and Fernandez 2023). This ensures that community members get an equal say in decisions affecting them. All investors must become members of the cooperative and purchase a minimum of 400 shares valued at $1 each (equal to the value of one solar panel), up to a maximum of 400,000 shares. An estimated 5% annual return on investment is expected, the revenue coming from the energy generated being sold into the grid. In this model, only the community can invest in the first round, followed by outside investors. The cooperative defines the 'community' as, 'local residents, community organisations and entities such as schools, the local council and businesses, located within the Goulburn Mulwaree local government area (LGA)', while 'outside investors' are defined as 'outside the Goulburn LGA' (Goulburn Community Energy Cooperative 2020:para. 2). An estimated 300 Goulburn residents have bought $2.5 million worth of shares (Huntsdale and Fernandez 2023).

This cooperative demonstrates an expression of economic democracy by maintaining the wealth and income generated within the communities in which it is situated (Cumbers 2020). The GCEC's democratic decision-making within the cooperative, and the collective ownership over the revenues generated and sold back into the grid, allows for the community to determine how the distribution of revenues occurs and to directly control how the cooperative will affect them. By collectively controlling the means of production, residents can express self-determination over the direction and outcomes of the solar farm in their community. This latter point is crucial because, concurrently, large multinational private energy companies have also seen the potential of renewable energy in the Goulburn area. British energy giant BP plans to build a solar farm with 740,000 panels across 700 hectares in the Gundary Plains (Huntsdale and Fernandez 2023). However, interviews conducted by Huntsdale and Fernandez have revealed the local farms are not included in the decision-making process. Although smaller in scale, collective ownership brings the community to the decision-making table through democratic voting per community investor and direct ownership over energy production.

Although the GCEC is currently not using a worker cooperative model, it is challenging the concept of private ownership of production. A community owned cooperative presents an alternative vision of deliberative and democratic decision-making over economic production. The source of capitalist exploitation, according to Burczak (2006), is not private ownership but the capacity of the owner of the means of production to lay claim to the entirety of the output produced by wage labourers. While community-owned cooperatives still operate with a market system of exchange, the collective forms of democratic ownership over the energy sector reduces exploitation of community and workers through the direct ownership of the energy sold back to the grid. This energy cooperative thereby challenges the market system by altering employment relationships to give workers more power over the decision-making process, including business strategy and how profits are shared with workers and the community. Importantly, within the framework of a cooperative, the sale of energy production on the market is not about furthering personal gain, but rather it is about the workers within the cooperative and the community in which production is generated. The structures of the cooperative model promote economic democracy by challenging employment relations, private property and the market under capitalism.

Notwithstanding these positive features, some significant limitations of the GCEC should also be noted. While a model based on the GCEC project promotes community ownership over energy production, the reliance on private capital investment leaves the project vulnerable to prioritising capital accumulation over the social good. This model of community ownership maintains the decision-making structures with the owners of capital over the broader community. Cooperatives that fail to incorporate the principles of economic democracy – namely, shifting the benefits of production from the owners of capital and towards the workers and community in which surplus is being produced – will ultimately marginalise groups outside of the cooperative industry. The GCEC through its community investment model may reinforce divisions between the owners of capital and those without. While this community investment model allows members of the community to democratically vote on issues concerning the cooperative, it is still limited by one's access to capital. Without any access to capital (such as the $400 minimum investment for membership of the GCEC), people will be excluded from economic decision-making structure, maintaining an economic divide. Although the

GCEC does address this by supporting people on low incomes who are living in energy poverty within the community, the financing mechanism risks incentivising the investors to prioritise capital accumulation over the needs of the community.

Conclusion

An energy transition led by private interests introduces uncertainty regarding the social and economic impacts. Much of this uncertainty is due to workers and communities having little say or ownership over production. This is a general feature of capitalist economies, of course, because economic decision-making is an undemocratic process, controlled by the owners of the means of production. The currently dominant model of state-supported capital accumulation retains this primacy of private investment, with the state contributing the necessary accompanying infrastructure and some degree of coordination. For a region like the Hunter, it is crucial for its workers, community groups and environmentalists to consider the implications of continuing to accept this as the sole basis for dealing with the transition of the region to a more sustainable future. It is in this context that the role of the HJA has been framed in this article.

The HJA's aim is creating a future for the region with 'full employment, good union jobs, a thriving and healthy living environment, an equitable society, a stable climate and renewable prosperity' (Hunter Jobs Alliance n.d.). To bring about this improvement in the well-being of employees, communities, and the environment would requires confronting the sway of private enterprise in the region. The HJA therefore faces a dilemma when it comes to aligning its policies with either the advancement of capital accumulation or the principles of economic democracy. To date, rather than challenging the role of the state in facilitating private investment into renewable energy, the HJA has been complicit in maintaining the current private property and employment relations in the Hunter Valley.

However, members of the Hunter Valley community (briefly acknowledged by the HJA) have proposed community ownership of the energy network as a means of aiding workers and communities during the energy transition. Some members of HJA are also aware of the GCEC but thorough analysis of it and of what lessons it may have for the Hunter region is yet to occur. But the existence of a successful community-owned energy project there – and on a much more extensive scale in Denmark - shows the potential for a greater role for economic democracy in decision-making during the energy transition, empowering the communities whilst challenging the dominance of private capital accumulation. The HJA need to consider how it can develop its potential to promote social change by embodying principles of economic democracy to directly support workers, communities and the environment.

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EMBEDDING INDUSTRIALISATION AND DEINDUSTRIALISATION IN SOUTH AUSTRALIA

Mark Dean and Lance Worrall

In April 2024, Anthony Albanese announced *Future Made in Australia* (FMA) – a strategy designed to create the conditions to place Australia on the path to an advanced industrial economy. In this announcement, the Prime Minister put industrial policy back on the agenda, declaring that FMA was a response to the US Biden Administration's *Inflation Reduction Act* that commentators here have been calling for (or warning against) over the past two years (Dean and Jackson 2023). FMA links challenges of climate change and national economic capability to reindustrialisation, predominantly using Australia's world-significant clean energy and critical minerals to increase onshore secondary processing of these metals and the manufacture of products and components required for decarbonisation and greater sovereignty.

Responses from media and professional economists frequently have been hyperbolic and intellectually slight[1]. Certainly, FMA brings Australia closer to explicit industrial policy than in decades, but it remains questionable whether it will meet the comprehensive scope required of a national industrial strategy, or that it is intended to match the intent of overseas programs and strategies. What then are the implications of FMA as a driver of institutional change? And what can be learned from previous experiences with industry policy in Australia?

[1] For example, Hewett (2024); Greber (2024); Coorey (2024); Read (2024); Mizen (2024); Read and Coorey (2024); and Editorial (2024).

Dean, M. and L. Worrall (2024)
'Embedding Industrialisation and Deindustrialisation in South Australia'
Journal of Australian Political Economy
No. 93, pp. 66-79.

This article highlights the critical role of industrial strategy in developing the institutional forms that would reindustrialise Australia, focussing on the development of the automotive industry in South Australia (SA). It shows that the coordination of private and public social institutions was crucial for strategic economic growth, and that an interventionist state was central to ensuring industrial transformation of SA's economy, a process that began before World War II. The interventionist state continued to be central to industrial development for five decades, until global transformations began reshaping the state's role during the 1980s, ushering in the deindustrialisation that has been the dominant feature of recent decades. Analysis of these experiences of industrialisation and deindustrialisation in the era of globalisation offers lessons for confronting the current challenges of job creation and industrial strategy in the renewables and green industry transition.

Institutions for capital accumulation: a framework

Social Structures of Accumulation theory (SSA) offers a useful political economic framework for studying these issues. It contends that the capitalist market economy cannot function without being embedded in social arrangements that emerge over time to regulate economic growth and stabilise capital's tendency to crisis. It situates capitalism in relation to institutions that are shaped at economic, political, and ideological levels. The institutional forms include laws, rules, cultural norms, policies, state forms and other social practices. Together, these institutions interact with the capitalist regime of accumulation to determine the conditions under which it fulfils its internal logic to expand and grow.

SSA theory also posits that, under capitalism, social institutions break down due to capital's own contradictions – which include class conflict, competition and the limited human, labour and natural resources that capitalism exploits. These are instances of a general contradiction between capital's accumulation drive and the demands of social reproduction, upon which accumulation depends. The only way to overcome these crises is for a new set of institutions to be constructed to renew processes of capital accumulation. SSA theorists demonstrate how this is driven by explicit and self-conscious political actions, first developed by individuals and their networks and then mobilised to create consensus for building new institutional structures capable of overcoming crisis (Gordon *et al.* 1982).

SSA provides an explanatory framework by using intermediate concepts relevant to concrete historical national social formations, together with higher-order concepts concerning the long-term structural dynamics of the capitalist economy (McDonough *et al.* 2021; Kotz 2018; Kotz *et al.* 1994; Jessop 1990). SSA has regard both to structural determination and the role of strategically placed agents to shape future trajectories where the conjuncture is favourable. It contrasts starkly with the static and atomistic assumptions of equilibrium in mainstream neoclassical economics. SSA draws extensively (if implicitly) on Karl Polanyi's definition of the market as an economic institution embedded in social systems. Institutions are seen as embodying society's encoded rules, norms and regulations (in Polanyi 2001 [1944]; Polanyi *et al.* 1957). The economy is interpreted as always embedded in socially instituted systems, and policies that promote the 'free market' are understood as attempting to make social institutions subservient to capital's limitless profit-driven interests (Block and Somers 2014). There is an important connection here between SSA and Keynesian approaches of 'embedded liberalism' (see also Ruggie 1982). Interpreting Keynes' views on the economy through a Polanyian lens, we can identify principles common to both SSA and Keynesian perspectives.

How Keynesian was Australia's development?

What practical weight should be accorded Keynesian theory and macroeconomic demand management in Australia's post-war development? How well was Keynesian theory even understood by Australian policymakers at the time? This is an important debate. Jones (2021) provides a detailed account of wartime and post-war efforts to influence the sectoral development and composition of the economy, probing how a range of other policies beyond macroeconomic policies shaped Australia's post-war political economy. In Jones' account, these efforts stood apart from Keynesian demand management, which was not itself decisive in the achievement of the full employment outcomes traditionally associated with Keynes.

Nevertheless, Johnson (1989:17, 19-20, 25-6) points to Keynes as an ideological touchstone of the post-war Labor government's key initiatives, from the *Full Employment White Paper* to the commitment to use fiscal policy to iron out the business cycle. From a broader viewpoint, Crotty (2019: chs. 4, 7, 8, 9) has challenged the prevalent view of Keynes as an economist simply of the macroeconomic short-run, with capitalism needing not just cyclical stabilisation but (drawing on Keynes' writings of the 1920-30s) also state-led investment and industrial strategies.

There is reason to suppose that these aspects were intermingled in the reception of Keynes in Australia, as elsewhere, with influences operating in several directions. Consistent with Jones (2021), Keynes' influence is undeniable, but its strands – not confined to macroeconomic fiscal and monetary policy – must be disentangled, and its ideological power and dominance recognised without supposing omniscient and 'pure' real-world implementation and application. Account must be taken of the full range of agents, interests, and institutions. This applies to all levels of government within a federal system such as Australia's. The case of the South Australian state is indicative and perhaps particularly prominent because industrialisation was such a distinctive feature in a previously mainly agricultural and service-based State economy.

Embedding industrialisation in South Australia: political action, state intervention and new institutional structures

For one hundred years until the 1930s, SA's agricultural elite dominated the State's capital accumulation strategy. A limited economic role for government to support ongoing liberal business activities and wage arbitration persisted over this period (Rich 1988). It was the Great Depression of the 1930s that provided a political break. At the national level, it created a political economic context in which a growing importance of Keynesian principles of economic management could emerge while, at the State level in SA, it led to institutional changes necessary for the pursuit of transformative economic opportunities.

Beginning around 1935, SA's Auditor-General, J.W. Wainwright, a devoted Keynesian and sceptic of private capital's appetite for taking the risks of economic transformation, called for government to support secondary industrial production, observing that unemployment could only be combated by developing a 'sound secondary industry policy' through public investment (quoted in Mitchell 1962:30-1). Besides having strong connections to business and industry, Wainwright won support from civil servants and trade union leaders also drawn to Keynesian theory's underlying principles of state intervention and productivism for stimulating economic development.

In the private economic sphere, empathy for this approach was expressed by T.J. Richards, proprietor of Richards' coach building firm, and E.W. Holden, proprietor of Holden saddlery. They personally facilitated the foreign takeover of their firms – in 1931, the US company General Motors acquired Holden Motor Body Builders, becoming GM-Holden; and in 1936 Chrysler-Dodge acquired the Richards' firm (Wanna 1980). These purchases facilitated development of the capital conditions necessary for large-scale foreign investment in new Fordist modes of mass industrial production.

The essential precondition for these industrialisation programs in SA and other States was the often-strained commitment of national governments to tariff protection. Secondary industry protection grew progressively after WWI, making significant advances in the 1920s. During the early 1930s, it was further boosted by the collapse of commodity prices during the Great Depression and, in the late-1930s, by the gathering exigencies of national defence and its attendant industrial requirements. Tariff protection became twinned with earlier provisions of social protection and a basic wage, setting industrial awards and equality of terms and conditions in industries, together with the introduction of an aged pension. Both tariff protection and social protection supported a higher real wage and the development of the Australian home market.

Protection lifted the costs of export industries, however, engendering opposition to it from businesses that were receiving (fluctuating) international prices for low-processed commodities. These interest groups regarded protection as a cause of higher costs in the home market. The resulting conflict between internationally oriented primary/extractive industries and domestically oriented manufacturing ones was a marker of this period, posing special challenges for the conservative parties that embraced both these fractions of capital. In this conflict, industrial capital drew on broader sources of support, including a growing urban working class and influential politicians such as Country Party leader John McEwen who hoped for synergies from regional-based manufacturers.

The growing influence of Keynesian economic ideas also helped to produce a change in SA's political status quo. New networks between public and private spheres of the State's economy and society were formed; and the old ruling agricultural elite's domination began to erode. These new networks presaged innovative forms of political action connecting different sectors of the State's economy, integrated supply chains and guaranteed demand for elaborately manufactured goods.

In 1937, E.W. Holden founded the Industries Assistance Corporation of South Australia, along with a small group of local politicians, manufacturers, union leaders and engineers. The Corporation's purpose was to provide financial assistance to industries involved in import-substitution or assist local manufacturers to find local export opportunity. It was effectively set up as a private sector initiative to take advantage of the tariff protections already enshrined at the federal level (Miles 1969).

Embedding the interventionist state in SA

Some significant industrial progress was achieved by the late-1930s, despite facing a conservative State government that had been captured by the agricultural elite. It was during Thomas Playford's long period as Premier (1938-1965) that the more enduring transformation took place. Playford would perform a state role analogous to John McEwen nationally, seeking to align agricultural and industrial sectors through a system of all-round support. Following advice from Wainwright in a 1938 report arguing the importance of strategically coordinated private investment, the government departed from treating primary industries as the foundation of the State's existing regime of accumulation in favour of policies more conducive to manufacturing industrialisation. Coinciding with national efforts to ramp up war production, the passing of the *Industries Development Act* in 1941 permitted the SA government 'to enact certain provisions for the promotion and development of industries, and for incidental purposes' (Parliament of South Australia 2003 [1941]:1), specifically giving the Treasurer powers to provide direct assistance for new or expanded industrial plant and equipment.

The interventionist state, from the early war years into the post-war period, attracted new manufacturing developments through packages of assistance to foreign and inter-State manufacturers. It also absorbed private institutions, including transferring the Industries Assistance Commission's balance of funds in 1946 to the State's Industries Development Committee, itself established under provisions of the *Industries Development Act.*

Following World War II, physical capital like factories and land established for military purposes was returned to civilian productive functions. While this process was nationwide, it favoured SA because of the State's above-average mix of industries, enabling it to fulfil the growing demand in the post-war period for manufactured goods. Thereafter, the number of people in manufacturing employment in SA rose steadily each year – up from just over 69,000 in 1947 to more than 121,000 by 1971 (McLean in Mules 1989:10-1). During the 1940s, 23 significant manufacturing firms were established in the State: then, in the 1950s, a further 26 firms were established, effectively doubling the number of firms established during the 1930s (McKnight 1968:358).

The Playford government also instituted a framework for industrial relations and industry nationalisation. SA's lower wages, lower costs-of-living and lower industrial disputation than the eastern States were all spruiked as comparative advantages, encouraging new investors to establish production in the State rather than in Victoria or NSW. The Electricity Trust of South Australia was nationalised in 1948 to ensure public upkeep of infrastructure and price controls; and the development of brown coal as a reliable energy source ensured no shocks in the decades of industrialisation that followed. The public provision of subsidised housing for workers via the Housing Trust placed the State in good stead amongst new industry entrants too. In combination, these concessions placated both capital and labour, creating political economic conditions conducive to industrial transformation.

From industrialisation to deindustrialisation

Between 1974 and 1982, nearly 16,000 manufacturing jobs were lost across Greater Adelaide. The regions dependent on manufacturing employment suffered the most, and these were spatially concentrated in the outer metropolitan areas (Forster 1986). The distribution of higher-paying professional industry employment flowing to Adelaide was concentrated on the city's more affluent inner suburbs, and all showed far lower indicators of welfare dependency, such as receipt of unemployment benefits (Baum and Hassan 1993).

Due to outer-Adelaide's significant reliance on a narrow scope of manufacturing industries, deindustrialisation in these regions led to pronounced poverty and deprivation. In 1984, 41,000 people were receiving unemployment benefits; by mid-1991 during the State-wide recession unemployment in Adelaide was just below 10 percent of the workforce (Winchester 1991). Altogether, outer-Adelaide's industrial regions were at the centre of SA's experience with deindustrialisation, particularly where a stark contrast between inner-city wellbeing and outer-metropolitan poverty made evident the repeated, distinct patterns of disadvantage that define neoliberal economic growth.

Throughout this time, the State's interventionist role was seriously limited. As manufacturing firms 'offshored' production from the 1970s and 1980s, the primary policy response of government was to provide social assistance to the growing number of unemployed industrial workers, and to transfer housing for blue-collar workers to social housing for the growing ranks of an emerging underclass (Winter and Bryson 1998). Major attempts to diversify SA's economy sought to develop markets and industries in the services sector (like arts and tourism) and property and financial and professional services, all intrinsically linked to patterns of globalisation and widening inequalities.

Deindustrialisation was symptomatic of the pressures that globalisation put on capital to restore accumulation. The newfound mobility of global capital meant many of the foreign-owned industries sought out new overseas jurisdictions, pursuing profit within new institutional frameworks elsewhere. Governments like South Australia's sought to compete with these emerging foreign players by diminishing or dismantling and then 'marketising' existing social structures like public services, welfare systems, public utilities, vocational education, regulated wage structures and labour markets and corporate tax regimes. Neoliberalism was built on the promise of restoring growth but (unacknowledged and implicit) not having to share it with workers and their communities.

Despite significant declines in employment, manufacturing has remained one of the largest contributors to SA's economic output, albeit today trailing primary industries, financial services, and construction (Department of Treasury and Finance 2022). The consequences of deindustrialisation are most apparent in the local regions confronted by plant and industry closure, despite those regions having little say over the process nor voice in the shape of industrial transitions.

SA's deindustrialisation following the post-war boom was accelerated by global capitalism's growth imperative and facilitated by the State's withdrawal from its developmentalist role. This role was critical in helping to form and legitimise the social structures that could provide a stable political economy for new forms of accumulation. Nationally, from the late 1980s, the arguable case for some tariff reform was telescoped into a campaign for no national industrial policy whatsoever, rather than a reformed one deploying new means to new targets. Programs and policies remained, but largely as simulacra of an industrial policy, directed more at managing contraction than new sources of industrial growth.

This phenomenon is illustrated by the stand-out case of automotives. Over several decades, tariff protection was replaced progressively by on-budget assistance geared to the investment-model change cycle. This secured some investment into onshore production but with increasing import reliance. In the years before the industry's final exit in 2017, which came amidst runaway currency appreciation and inadequate scale of investment and output, little if any policy consideration was given to opportunities for translating and applying the sector's knowledge-intensive capabilities to products and markets beyond automotive production.

Adelaide's prosperous regions today are those with communities characterised by higher social and economic mobility and workers that participate in diverse, integrated social networks. Although this is not a unique story, it helps to show why regions like Playford (north of Adelaide) experience high levels of unemployment and intergenerational poverty. The social, political and economic institutions that were intrinsic to the development of heavy manufacturing industries in regions like Playford were also central to the high-skilled jobs that these industries provided for many decades, and thus also interwoven in the fabric of these communities.

The international return of industrial policy

The past two decades have witnessed the revival of industrial policies in many of those advanced capitalist nations that previously rejected them in favour of off-shoring and high dependency on global value chains. This occurred in two discernible but overlapping phases. In the first, industrial policy found new advocates from within the economics profession, who believed that updated forms of industrial intervention could accelerate new sources of growth in the financialised economies following the GFC, while also addressing societal challenges such as climate change and the need for 'green growth' (Rodrik 2014; Aiginger and Rodrik 2020). These advocates stressed industrial policy based on innovation, stimulating new knowledge-intensive output, rather than zero-sum curbing of trade flows.

However, a significant shift occurred in the 2020s. This shift decisively restored industrial policy, especially in the US and Western Europe. Its initial impetus was the supply chain vulnerabilities revealed during the COVID-19 pandemic but, more recently and decisively, the US-led desire to curtail China's economic and technological development, precisely by restricting trade.

The combined effect of these two shifts, it has been argued (*e.g.* Alami 2023), has been the reorientation of many governments to a form of 'New State Capitalism' (NSC). This switch is the cumulative effect of more than a decade of capitalist crises since the GFC, with the final push being given by the global COVID-19 pandemic and the rise of China, impacting on global production networks instituted by neoliberal globalisation. This NSC consists of limited elements of state intervention, such as industrial direction-setting, business incentivisation, de-risking new industry developments and accumulating large wealth funds for public investment. It embodies an embedded productivist approach, aiming to ensure that the nation-state has certain requisite sovereign production capabilities. It combines this with attempts to mobilise the networks of capital, unions, and civil society by triangulating policy responses to their often-competing industrial ambitions. The NSC also has some similarities to the East Asian 'governed market' model of four decades ago (Wade 1990), updated and tempered by 'Anglo-Saxon' sensibilities for deindustrialised advanced economies.

Alami (2023) rightly regards NSC as a tendency rather than an (as yet) new accumulation regime (or a distinct stage or variety of capitalism). It is unlikely that Australia's national government harbours ambitions on this scale, regardless of some hyperventilated commentary in the media. It is also clear that many of the requisite institutional capacities for state action in NSC directions do not currently exist. Could Australia inch closer to the model? Yes, although a continuation of a less coherent approach is more probable. NSC could yield some improvement on business-friendly, anti-worker and anti-environment neoliberal policy settings; but can it go far enough for clean energy reindustrialisation opportunities to resemble a just transition?

Social foundations for local industrial development

Some further insight into the requirements for institutional embeddedness may be drawn from a study of social networks and that was undertaken in the USA by Sean Safford (2009). The study compared two structurally similar US Midwest cities – Youngstown, Ohio and Allentown, Pennsylvania – to examine the influence on industry development of their social networks and institutions. It looked at their experiences of rapid industrialisation in the Nineteenth Century and subsequent deindustrialisation from the 1970s. Safford observed that the different patterns of institution-building that sustained growth and prosperity in each city determined the ability of political actors to mobilise a transformative response to economic crisis.

In Allentown, the institutions crossed class, cultural and ideological divisions. This produced a consensus-based response to crisis conditions, broadly comparable to the period of development from the 1930s in South Australia. In contrast, Youngstown's social institutions developed in a distinctly class-based way, shaped exclusively by the values of the city's industrial elites and aristocrats, rather like contemporary neoliberalism's favouritism of the socially and economically mobile, inner-city white-collar workers who are geographically, culturally and socially disconnected from the blue-collar workers who bear the brunt of the capital flight from their communities. Since the 1970s, Allentown has consistently outperformed Youngstown, economically and industrially, with significantly lower unemployment rates. Safford concludes that the 'Garden Club' – Youngstown's social club for the spouses of the city's industrialists, and its source of industrial intelligence – had no solutions to the global economic restructuring that disrupted its industrial base and the working-class communities that had shared in its former prosperity.

The experiences of both Youngstown and Allentown have played out during the period of neoliberalism in cities like Adelaide which, from the 1970s have not been able to mount a response to crisis that is socially inclusive. As Australia – and its constituent States – take tentative steps toward renewables-driven reindustrialisation, policymakers in SA and beyond need to consider what is required for the transition process to be institutionally embedded. For industry policy to have the necessary social support and inclusivity in its effects, it must provide justice to the workers that have always been at the forefront of transition but who are rarely, if ever, part of the conversations in the Garden Club.

Conclusion

Looking back at SA's periods of industrialisation and deindustrialisation requires interpreting the role of social structures in industrial development and capital accumulation over two broadly distinct periods – one of state interventionism; and a subsequent period of state-driven neoliberalism. Interpreting SA's industrialisation in terms of institutional embeddedness characterises the period from the mid-1930s as one in which the state played a primary developmental role, legitimising a range of social and economic institutions conducive to industrial growth and development. This was a form of 'state interventionism' or 'state developmentalism' aimed at leveraging adequate social structures of accumulation. By contrast, the period of neoliberalisation from the 1980s onwards saw the incremental adoption of new institutions of market fundamentalism that led to decades of deindustrialisation in South Australia.

Now, the SA government's key industrial priorities include achieving a new stage in the State's already-advanced development of green energy, through public investment in green hydrogen. Direct public investment into SA's privatised energy sector is a significant initiative. One intended medium-term outcome is the production of green steel from Liberty's Whyalla facility. Concurrently – and pulling in a different direction – there is the expectation of further development of Adelaide as the national hub for naval submarine and shipbuilding. However, there is scant evidence of any connection of these potential industrial futures to a serious revaluation of the future economic role of government. This needs to include consideration of what social structure of accumulation is intended and what would be its institutional underpinnings. Similar concerns about embeddedness in supportive social institutions need to be addressed at the national scale if the Albanese government's FMA announcement is to become an effective and enduring policy for Australia's economic future.

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EMPIRE AND THE NEW TIMES:
TOWARDS A CRITICAL THEORY OF BIOPOLITICAL PRODUCTION

Alexander Nagy

The death of Antonio Negri, one of the most significant European leftists of his generation, comes at a moment when his efforts to theorise postmodern power appear to have been dramatically challenged by the movement of historical circumstances. When he and Michael Hardt produced their surprise best-seller, *Empire* (2001)[1], at the turn of the Twenty-First Century, *pax Americana* seemed to herald the generalisation of a new 'logic and structure of rule' across the entirety of capitalist social life (Hardt and Negri 2019). The spread of networked information technologies, the integration of rival geopolitical blocs, and the waning influence of the institutions of modernity seemed to spell out a fundamental change in the experience of global capitalism: 'all could see that some kind of new world order was emerging' (Hardt and Negri 2019). *Empire* represented Hardt and Negri's attempt to sketch-out the contours of this new reality, which they understood to entail the ascendance of 'the forces of immanence' *(i.e.* the forces of an unmediated social commons) over the 'transcendent powers' of modern sovereignty (*i.e.* the apparatuses of the state, bourgeois value-extraction and the institutions).

Moreover, *Empire* represented a renovation of the Marxist method which was developed in response to criticisms levelled against it by figures associated with poststructuralism and postcolonial studies (Negri and Zolo

[1] The text *Empire* (2001) will be italicised, while the concept of 'Empire' will not. Both will be capitalised to adhere to the treatment of the concept in Hardt and Negri's work.

Nagy, A. (2024)
'*Empire* and the New Times:
Towards a Critical Theory of Biopolitical Production'
Journal of Australian Political Economy
No. 93, pp. 80-101.

2008:13). However, the work did not enact this renovation by confronting the contradictions between Marxism and its late Twentieth Century critics head-on. Instead, *Empire* argued that the time for classical Marxism finished with the waning 'domination' of industrial production (2001:282). The new times called for new theory and new praxis, as the 'tactical preoccupations of the old revolutionary school' were said to be made 'completely irretrievable' by globalisation's installation of an inescapable new form of sovereignty (2001:59). *Empire* therefore provides Twentieth Century Marxism with an injunction to go with the times, theorise the present, and avoid the tired old strategies and slogans that feel so comfortable.

About two and a half decades on and that same injunction threatens to render *Empire*, as well as its elaborations *Multitude* (2005), *Commonwealth* (2009) and *Assembly* (2017), as somewhat peripheral works in the annals of Marxist scholarship. After all, there are new new times. The community of nations is splitting back up into rival blocs. Industrial productive capacity and access to primary resources are once again the foremost concern of wealthy economies. Information technologies bear closer resemblance to digital fiefdoms rather than horizontal networks of peers. The politics of the nation-state and the authoritarian personality are ubiquitous. Such processes of sovereign rivalry and network-fragmentation feel altogether at odds with key themes of *Empire*, and with these changes have come a fresh set of social theorists that have lined up to assert a new historical break within (or even out of) capitalist social relations (Durand 2022; Varoufakis 2023; Wark 2019).

Given these historical transformations, and the inescapable need to reflect on the legacy of Antonio Negri, this article will assess the contemporary relevance of *Empire*. It will not do so through an empirical accounting which weighs-up the many and varied claims of the book against the realities of global capitalism today. Instead, it will attempt to extricate *Empire*'s insightful reading of capital's 'symptoms of passage' from its naïve pronouncements regarding the *telos* of that historical movement. In making this argument, it will draw on several prominent critiques of Hardt and Negri's work from within the Open Marxist school, a body of critical theory that emerged at a similar time as Hardt and Negri's collaboration which also attempts to disrupt a certain kind of dogmatic Marxism.

In its rejection of 'closed forms of thought that allow for the construction of generally applicable frameworks, categories and models' (Charnock

2010:1295-6), Open Marxism criticises social theory that repeats the bourgeois political economist's mistake of analysing the movement of economic categories without accounting for the appearance of human life within those self-estranged forms. It is a Marxism which aims at prying open the historical foundations of capital's conceptuality in order to keep alive the possibility of its ultimate negation. Rather than narrating the ever-changing face of capitalist society, the purpose of Open Marxism is to isolate and name the historical conditions that confine human life within its relentless dynamic. This methodological focus has meant that a number of Open Marxists (Dinerstein and Pitts 2021; Holloway 2002, 2009; Pitts 2018) have criticised Hardt and Negri's attempt to tell the story of capitalism's new times in *Empire*.

However, while finding significant value in Open Marxist responses to Hardt and Negri's work, this article will depart from these critiques by affirming the possibility of a critical theory of 'biopolitical production' which can elaborate on key aspects of *Empire*. In order to make this case, it will argue that:

- The most compelling throughline in *Empire* is its exposition of the manner in which biopolitical production concretely hybridises economic, political, and cultural life.
- *Empire*'s historical relevance is compromised by its construction and embrace of a new revolutionary *telos* from within the qualitative reality of biopolitical production.
- This embrace of biopolitical production is derived from Hardt and Negri's notion that capitalist authority is wedded to particular kinds of concrete work and workplaces.
- The Open Marxist understanding of capitalism foregrounds capital's abstract domination of human social life through the (monetary) value form.
- An understanding of capitalism on Open Marxist terms falsifies the notion that any particular kind of concrete work could imply a necessary path out of capitalism.
- Exploring the 'strange immediacy' of biopolitical production, through a new body of critical theory, could nevertheless be a valuable project.

In making the above argument, this article seeks to establish *Empire* as a critical text for understanding contemporary capitalism, but not on its own terms. It argues that Hardt and Negri's seminal work remains as historically vital as it ever has been, but that this vitality has always been limited by its failure to reckon with the strangeness of capitalist categories and the abstract quality of capital's social domination.

What is Empire?

Hardt and Negri's concept of 'Empire' refers to the emergence of a new form of sovereignty 'materializing before our very eyes' (2001: xi). It is a concept which posits that globalisation has led to a historical conjuncture in which power increasingly 'regulates social life from its interior' (Hardt and Negri 2001:23). That is, political authority no longer produces prescribed models of subjectivity in order to reproduce its own position above the everyday activity of a polity. Rather, modern political, economic, and cultural institutions are merging and creating a 'smooth' world in which the rigid demarcations and architectures of capitalist modernity are made porous (Hardt and Negri 2001:329). It is within this transformation that Hardt and Negri locate a crucial dynamic in which 'economic production and political constitution tend to increasingly coincide' (Hardt and Negri 2001:41).

On the surface, this development might seem like a somewhat staid entry into the annals of Marxist literature. Significant volumes of Marxist scholarship have been dedicated to the idea that, although the economic and political spheres exist as a diverse set of institutions within capitalism, the two are in fact internally related within the historical movement of class struggle. Over a century ago, Lukács argued that the illusory separation between the political and the economic was the 'most striking division in proletarian class consciousness and the one most fraught with consequences' (Lukács 1971:71). However, Hardt and Negri are not interested in restating the case for the essential unity of 'the political' and 'the economic' behind the illusions of capital's reified social forms. Rather, *Empire* claims that capitalist modernity's dogged policing of the boundaries separating the two categories is itself becoming redundant.

Essential to the novelty of Empire's concept is the insight that '[p]ower is now exercised through machines that directly organize' brains and bodies (Hardt and Negri 2001:23). Social power no longer stands over productive human life and manages its movement towards particular outcomes, as had been the case in modernity. Rather, Empire implicates its apparatuses of capture and discipline within the everyday relationships of human beings. As productive labour is increasingly defined by flows of embodied experience, code and knowledge, the machines which produce commodities are increasingly the same as the machines which reproduce capitalism. For this reason, Hardt and Negri argue that if it ever made sense to theorise an economic base constituted by class relations, and a political superstructure constituted by state power and cultural discourses, then these categories must finally be retired (Hardt and Negri 2001:27-30).

Once again though, the novelty of this theory might be questioned. The claim could be made that Marx always understood the spheres of production and exchange to be key terrains of subject-formation in which both commodities and particular political subjectivities are simultaneously produced. In some of his earliest reflections on the nature of capitalist social life Marx explicitly identifies the existence of this constitutive dynamic: '[l]abor produces not only commodities: it produces itself and the worker as a *commodity'* (2012:69). The production of labour as both a self-estranged identity and a commodity are conceived of as being internal to the production of all commodities. However, Hardt and Negri are not simply restating this claim either. Instead, they are arguing that because the commodities that go to market are now increasingly constituted by lived experiences, the production of cultural and political action is simultaneous with commodity production and exchange.

Unlike the production of consumer durables or mined minerals for example, the immaterial production which occurs when one human being produces language, embodied experience, or knowledge for another human being necessarily traverses strict delineations of the economic, cultural, and political. The 'biopolitical' form of production is made up of the same stuff that politics and culture are made of - images, data, bodily stimulation, codes, symbols, and emotions. This simultaneity implies that the traditional distinction between production and social reproduction is becoming increasingly tenuous as social labour comes to produce 'life itself' (Hardt and Negri 2001:258).

By way of illustration, one might consider how the advertising firm deploys signs laden with political and cultural histories to promote a particular set of commodities. According to Hardt and Negri's thesis, the deployment of such signs does not simply tap into a pre-existing cultural and political context in order to produce an economic outcome. Rather, it takes on an aspect of social reproduction. Workers in the advertising firm produce a particular political, cultural, and economic reality as their commodities concretely shape the desires and values of those who come into contact with the products of their work. Hardt and Negri argue that, when such forms of immaterial labour become the 'hegemonic sectors of production' (2001:33), the regulation of capitalist society increasingly occurs within the everyday relationships of individuals. Workers engaged in biopolitical production define the affective and symbolic terms of human social life and, in doing so, they modulate the prevailing norms, beliefs, and political imaginaries of society at large.

The embrace of capital's immanence

Compelling in both its simplicity and capacity to speak to contemporary experiences of production and social reproduction, this argument represents the strongest throughline of *Empire*. And indeed, most of the book is spent trying to decode the complex 'symptoms of passage' pointing towards the new political order which is built to capture the value being produced from within the labours of biopolitical production. In doing so, Hardt and Negri provide an exhilarating portrait of capitalism at the turn of the twenty-first century, as well as a number of original readings of capitalist history which centre on the transforming desires and struggles of the 'multitude', their term for the collectivity of human social power. However, in addition to *Empire's* symptomatic sketches, throughout the work is also an ambitious prognostic gesture: instead of lamenting the movement towards Empire's new form of political authority, Hardt and Negri revel in the coming of the new capitalist order.

The pair's embrace of Empire is rooted in the fact that the new order's authority necessitates an effacement of the 'transcendent powers' of modern sovereignty: those apparatuses of industrial capitalism which assert themselves over the top of human social life through particular institutional regimentations (e.g. the school, the factory, the asylum, and the prison). Instead, biopolitical production is said to necessarily involve the reallocation of authority towards the immanent, or unmediated, power of the global 'multitude'. This liberatory trajectory is set into motion by two forces.

Firstly, it is created by the new productivities of the 'multitude' that are engaged in biopolitical production through the production of 'life itself' in the manner described above (Hardt and Negri 2001:22). The ability to create political and cultural life through the immediate relationships of production and exchange means that centralised regulatory apparatuses are permanently on the back foot. And secondly, capital itself is said to constitute a force of horizontality which diffuses the capacity of fixed institutional powers to regulate social life. Indeed, the contradiction between 'the transcendence of modern sovereignty' and 'the immanence of capital' is given a central role in the historical development of Empire, as Hardt and Negri argue that the history of capitalism is characterised by the existence of a conflict between capital's deterritorialising dynamic and the constituted powers of the state and civil society (2001:327).

Capital is defined as an immanent power on three counts (Hardt and Negri 2001:326). Firstly, it is said that primitive accumulation forces individuals from 'codified territories' in which they have fixed social roles, which are dictated by geographically specific traditions. Secondly, all social value is refracted through the universal equivalent of money, thereby making all former claims to title, status and privilege irrelevant except by virtue of their relation to money. And thirdly, the laws of capital are generated from within the relations of production and not authorities 'from on high'. Due to the fact that capital possesses these tendencies, its emergence is placed within the history of European humanism's 'revolutionary spirit', which they claim to be characterised by 'the affirmation of the powers of this world, the discovery of the plane of immanence' (Hardt and Negri 2001:71).

In a theoretical move echoing Weber's analysis of the protestant ethic, Hardt and Negri suggest that capital's foundations were laid by European philosophies of immanence, which reconceptualised power as a product of material activity on earth, rather than the divine impulse of the heavens (2001:165). However, embedded within the immanent trajectory of capital is the negation of this deterritorialising dynamic by the apparatuses of the state, which are conceived of as institutions that are external to capital but necessary to facilitate its movement through the social field (Hardt and Negri 2001:165). The contradiction between these immanent and transcendent forces constitutes a continued process of development which has shaped the history of capitalism from its earliest epoch. However, according to *Empire*'s historical narrative, this struggle has not been an equal battle 'but rather a one-sided movement from sovereignty's transcendent position towards capital's 'plane of immanence' (Hardt and Negri 2001:327).

Fundamentally, Hardt and Negri's embrace of the passage to Empire is rooted in their contention that it represents a devolution of power towards the immediate relations of individuals who are engaged in social production as social reproduction. This transformation does not just represent a new paradigm of regulation but rather a clear advance towards an immediate form of social organisation beyond the reach of the nation-state's sovereignty. Further, biopolitical production's capacity to generate immanent forms of socialisation suggests a 'greater potential for revolution' because it allows for the emergence of a form of social existence which exceeds any given apparatus of domination external to the multitude (Hardt and Negri 2001:393). As such, they argue that 'biopower and communism, cooperation and revolution remain together, in love, simplicity, and also innocence' (Hardt and Negri 2001:413). This kind of lyrical embrace of capital's 'immanent' trajectories constitutes the aspect of *Empire*'s legacy which should be forcefully rejected.

Empire's theory of value

In an attempt to 'to develop the concept of revolutionary power (the *potentia* of the multitude) as a positive, non-dialectical, ontological concept' (Holloway 2002:82), Hardt and Negri affirm an idealised line of flight out of capitalism which is predicated on the phenomenological characteristics of current techniques of production. In doing so, they ignore the restlessness of the human social world and ossify a particular idea of what might be to come. Hardt and Negri criticise thinkers of the Enlightenment who uphold a 'transcendental' view of world history (2001:78-87), laden with the teleologies of rationality, human nature, and the state, however their own forces of immanence appear to move with as much historical inevitability as any Enlightenment teleology.

Scholars associated with the Open Marxist school have argued that a key aspect of *Empire*'s embrace of capital's immanent trajectories is its failure to appreciate the portrait of capitalist power provided by Marx's 'Critique of Political Economy' in *Capital Volume I* (1990) and other works. Open Marxists understand this critique to emphasise the abstract quality of capital's social domination: its construction of a synthetic social standard as the organising principle of human society and the domination of human life within this measure. This section will briefly set out the theory of capitalist labour and value that is presented in *Empire*. In doing so, it will illustrate Hardt and Negri's view that capitalist authority is a kind of physical wrangling of labour into spaces of production. The following two sections will then illustrate the folly of this conception by expounding on the Open Marxist reading of Marx's Critique of Political Economy.

In an essay entitled 'Value and Affect' (1999), published shortly before *Empire*, Negri argues that the capitalist value-form is fundamentally challenged by the ascendence of biopolitical production. It claims that, in modernity, labour-power was the only use-value which existed inside *and* outside of capitalist production (Negri 1999:80-1). As a living force which was formed in the institutions and the relationships of civil society, it was always subject to logics which deviated from, and contradicted, the demands of capital. Capital was therefore forced to engage in the Sisyphean task of wrestling labour power back into the sphere of production because it was the only input which could augment the natural world and generate use-values capable of being exchanged at market (Negri 1999:80). Negri understands the Marxist category of 'labour time' to be a measurement of the extent to which labour was able to be corralled into the sphere of production.

As such, the measurability of labour time relies on the existence of a 'unity of labour' which is defined by its difference from the life-sphere of social reproduction (Hardt and Negri 2005:145). The spatio-temporal division of work from leisure is crucial. Labour time is a united whole because it stands in opposition to the time of social reproduction. The dominance of biopolitical production creates a problem for the reproduction of capitalist society, understood in these terms, because that which was 'outside' of production is immediately implicated within it (Hardt and Negri 2005:145). The simultaneity of cultural, political, and economic production means that the spheres of production and social reproduction are increasingly hard to define. The 'smooth surface' of Empire has meant that the measurement of time spent working becomes increasingly incoherent and, as a result, the extractive apparatuses of capital are existentially challenged.

The category of labour that is deployed in this argument is an altogether concrete one. Labour is conceived of as a materially existing set of activities in the world which stand in opposition to other material activities. It is the stitching of linen in warehouses, the dialling of phone numbers in telemarketing offices and the extraction of iron ore from the Pilbara. That is, labour is an activity which is defined by the exercising of muscles and minds, and the emergence of value from that activity is a function of its scarcity in relation to the time of leisure. In opposition to this characterisation of capitalist life, Open Marxists argue that the 'unity of labour' which predominates in capitalism, and is explored in Marx's mature works, is a unity of the concrete and abstract aspects of labour.

The Open Marxist theory of value

Against Hardt and Negri's argument, which affirms the idea that capitalist social relations are inherently challenged by the open architectures of biopolitical production, this section will explain why Open Marxists understand capitalism to be a society characterised by the impersonal domination of a temporal social standard which necessarily trespasses any number of spatial boundaries. In particular, it will draw on the works of Bonefeld, Dinerstein and Pitts to explain the connection between primitive accumulation, the two-fold nature of capitalist labour and 'socially necessary labour time' in order to provide a portrait of the key characteristics of capital's abstract authority.[2]

In accordance with their reading of Marx's Critique of Political Economy, Open Marxists argue that the moment of generalised commodity exchange is the same point at which the market appears as the objective expression of social validity (Bonefeld 2020:44). In other words, when 'every product is produced for sale from the outset and all wealth produced goes through the sphere of circulation' (Marx 1990:733), the market becomes the sole arbiter of whether a given activity has been socially meaningful. If the market judges that a particular effort is socially valid, then the means of subsistence might be granted to the party seeking sale. In distinction from the political economists of his day, Marx does not explain the importance of the market in capitalist life with reference to any natural tendency to 'truck, barter, and exchange' (Smith 1981:25). Rather, the dependence of the individual on the market must be historically established through the process of 'primitive accumulation', or the separation of the individual from the means to live without sale (Dinerstein and Pitts 2021:121-2).

[2] In doing so it will also draw on figures associated with the anglophone branch of the New Marx Reading, including Arthur (2004) and Postone (1993). Many Open Marxists draw heavily on the work of the New Marx Reading. For more information, see Bonefeld (2014:6-10).

Marx famously analysed primitive accumulation with reference to the *Enclosures Acts* in England, the legal means through which the peasantry was pauperised as a result of their forced expulsion from common land (1990:877-95). However, Open Marxists do not understand primitive accumulation to be a process which occurred in the distant past of capitalist history, but rather view it to be a fixed aspect of capitalist society which is necessary to the concept of capital. That is, primitive accumulation is the historical and theoretical condition upon which capitalist wealth is based because it produces and reproduces the need to live through market exchange and the sale of labour power (Bonefeld 2011:382). This point is said to be central to Marx's Critique of Political Economy because it is the living condition which guarantees that human effort is mediated through the 'personifications' of capitalist class relations (Marx 1992:963).

At the same time that the process of primitive accumulation is generalised, and exchange relations become a ubiquitous means of subsistence, Marx argues that something strange happens. A single commodity becomes the means through which all others express their value without any individual having chosen for this outcome to occur. In this situation the commodity 'in general' comes face to face with each individual commodity, as though 'alongside and external to lions, tigers, rabbits, and all other actual animals, which form when grouped together the various kinds, species, subspecies, families etc. of the animal kingdom, there existed also in addition *the animal,* the individual incarnation of the entire animal kingdom' (Marx 1976:27). That object is money: the commodity stripped of all its specificity and practically existing as both the measure and the objective 'sole form' of value (Marx 1990:227). The orientation of production and exchange around the accumulation of money means that everyday human activities increasingly appear as universal, and qualitatively indistinguishable, 'incarnation[s] of abstract human labour' (Marx 1990:169).

According to Open Marxists, the twofold character of labour is a vital concept because it identifies the fact that capitalist production simultaneously appears as both a physical process and a strangely abstract process oriented around the expansion of monetary value (Bonefeld 2020:46). Accordingly, Marx calls the two sides of this 'twofold nature', or 'dual-character', concrete labour and abstract labour (Marx 1990:131-8). Concrete labour, or 'useful labour', is the aspect of labour that produces use-values (Marx 1990:132): the physical goods and services which constitute the sensuous existence of the commodity world. Such labour is always a concrete process of production because it is tied to particular locations, bodies, and procedures, even when it involves relatively immaterial processes such as thinking, feeling, and affecting. It is the somewhat intuitive aspect of labour that is well understood within Hardt and Negri's above characterisation.

Abstract labour, on the other hand, is a more complex category. It is that aspect of labour which relates the individual expenditure of effort by individuals to the totality of human efforts existing as commodities. It is concrete human labours 'reduced to human labour pure and simple' (Marx 1990:135). Based on this idea, it has often been said that it is that aspect of labour which produces the value of commodities. However, the concept of 'produces' here is complex because, as already discussed, in capitalism the ultimate arbitration of value occurs at the point of exchange (Dinerstein and Pitts 2021:75). Exchange is the moment at which the general equivalent of money 'abstractly negates all difference of use value between commodities and thereby declares them all identical as values' (Arthur 2004:41). It is the moment price emerges as 'the money-name' specifying the magnitude of exchangeability between one commodity and all others (Marx 1990:195).

As such, abstract labour is not some secondary production process that happens over the heads of labourers without them realising it but is in fact a relation that their labour must assume if it is to be socially validated. Abstract labour is the social form which 'irons out the differences' between various labours and allows for the emergence of wealth in its most abstract state: it is labour 'abstracted from' its concrete, qualitative characteristics (Pitts 2018:26). It is a kind of social relationship which concrete activity assumes when its products appear in the commodity form and take on a particular degree of exchangeability at market. Here, the labour of the advertising firm may once again be considered in order to reflect on this 'two-fold nature'.

Upon the advertising firm's signing of a new contract, a concrete labouring process is set-off in which an advertisement is designed, produced, and marketed. This production is local, it takes place in a particular setting with particular software, contractual obligations, and deadlines. It is a social process which is specific to the bodies, minds and relationships of those individuals that produce for the firm. At the same time however, these labours are not oriented towards the specific goals of the project at all. The project is the bearer of a gambit which seeks to secure profit and, with that profit, social subsistence. The concrete activities of those working at the firm are therefore subsumed within the universally equivalent effort to make money. In this sense, the labour of the advertising firm is identical with that of the car manufacturer, the investment bank or the sweatshop because it is the labour of expanding a money stock owned by a capitalist. Thus, Marx writes that 'it is in this quality of being equal, or abstract, human labour that […] [labour] forms the value of commodities' (1990:137).

The two sides of Marx's two-fold nature of labour are practically related through the concept of the universal standard of 'socially necessary labour time' (Marx 1990:129): the 'time of capital' (Bonefeld 2020:47). Abstract labour appears, after the fact of production, as quantities of socially necessary labour time because time is the only aspect of labour which can be measured when labour is reduced to its most general form. That is, when labour is reduced to motion and activity *as such,* the question of magnitude can only be addressed in terms of temporal intervals. As Marx writes: 'the pendulum of the clock […] [becomes] as accurate a measure of the relative activity of two workers as it is of the speed of two locomotives' (Marx 2009:22). Generalised market exchange creates a state of qualitative reduction which renders temporality as the one variable that counts, in terms of social validation.

The need to secure monetary profit produces 'a fictitious norm of labour timing' which must be enforced to assure that the firm remains competitively viable (Pitts 2018:42). The capitalist cannot allow the production of a commodity's sensuous form to use up more units of socially necessary labour time than those that are embodied by the price that the commodity garners in exchange. In this way, a synthetic temporal social standard comes to both measure and constitute the concrete reality of living labour. On the one hand, it spurs capital into action counting and accounting for the concrete labour of the firm, the industry, and the nation-state. On the other hand, it produces a universal basis for monetary wealth.

The Open Marxist critique of Hardt and Negri

The immaterial labour involved in biopolitical production is a specific form of concrete labour which has always existed in capitalist history. It produces use-values constituted by bodily experiences and symbolic exchanges. It is therefore immaterial by virtue of 'its products' (Hardt and Negri 2005:109). Its supposed disunity is based on the concrete traversal of these products between the spheres of work and life. However, as the above discussion should make clear, despite the spatial traversal that occurs between these spheres, all the commodified activities of biopolitical production must still take place 'in time'.

As discussed, advertising firms must churn through their latest contract and win another (Pitts 2020). Home-care workers are GPS tracked to assure adherence to a maximally loaded schedule of clients (Strikwerda 2020). Uber Eats drivers die on the roads trying to deliver meals in as little time as possible (Om *et al.* 2021). Writ-large across the 'smooth surface' of biopolitical production is the command to go faster. The accumulation of money-capital necessitates the economisation of time at every possible step to meet, and best, the expected social standard. Biopolitical production is no different. Thus, Pitts argues that 'whether concrete expenditure of labour exceeds the quantifiable confines of the working day does not impact upon the ability to capture and measure value' (Pitts 2018:41).

Hardt and Negri's claim that capital's apparatuses of capture and command are waning because thinking cannot be performed 'on command' and affective relations can't be made 'to order' (Hardt and Negri 2009:270), must therefore be read in a new light. Instead of understanding this situation as a world in which the apparatuses of value-extraction and discipline are waning, it should be read as a new set of managerial practices suited to the generalisation of a particular type of concrete labour. As Hardt and Negri themselves acknowledge, less formal disciplinary systems can only be maintained while this lack of regimentation allows circuits of capital to be completed more efficiently.

In other words, thinking for the purpose of producing communicative commodities can only avoid being directly managed if that same compulsion is carried out through 'self-management'. This self who is doing the managing as a 'human capital' cannot fall behind. Indeed, without the shared space of the factory, the office or the bricks-and-mortar shop, capital's temporal discipline can become even more efficient as the individual is stripped of the collective struggle against the capitalist as a personification of capital's abstract discipline. Instead, the deadline is self-imposed and internalised as an instance of self-fulfilment: as a necessary step in the validation of the self as capital (Feher 2009).

Pitts argues that Hardt and Negri's lack of regard for the discipline instantiated by capital's temporal compulsion produces a kind of 'reverse productivism' (Pitts 2018:176). The degradation of life in and through the extractive architecture of the workplace is diagnosed as the destructive element of capital's authority (Dinerstein and Pitts 2021:59). The position of the biopolitical labourer is imagined to be a unique standpoint for the critique of capital because it seems to pose a challenge to the formal sphere of work. This position fundamentally misses the unique social form of capitalist labour: its existence as a bearer of the capitalist's effort to expand a given stock of monetary value.

In capitalism, both capitalist and worker are disciplined by the universal dependency on competition for monetary value: social power disembodied from all concrete deployments. All manner of concrete production processes, from the marketing of a new advertisement to the shipment of a barrel of oil, may constitute a waste of human labour if those activities expend more socially necessary time in production than they gain through sale. Market dependency creates an authority that appears to objectively act on human society and which is articulated through temporal compulsion because it is the universal measure of production when production is reduced to human activity in general. Open Marxists argue that such an authority is not inherently challenged by the capacity for biopolitical production to exist inside and outside of spaces of production simultaneously.

The strange immediacy of Empire

Hardt and Negri's failure to grasp the abstract domination expounded in Marx's Critique of Political Economy leads Pitts and Dinerstein to declare *Empire* to be a work of 'insignificant theoretical and textual stature' (2021:49). At one level, their dismissal of *Empire* is understandable, given Hardt and Negri's dangerous flirtation with a capital-affirming determinism which lyrically embraces the trajectories of the present.

However, there is also something reckless in rejecting the relevance of *Empire* altogether.

Along with works produced by collaborators such as Lazzarato (1991), Hardt and Negri were the first to attempt to describe the entanglement of economics, politics and culture that *concretely* takes place in acts of biopolitical production. Dismissing *Empire* feels like it is also a dismissal of the existence of that concrete reality. This lack of sensitivity to the possibility of concrete historical difference within capitalist society is among the reasons that Bieler, Bruff and Morton criticise the totalising vein within Open Marxist thought which renders the present as an 'undifferentiated mush of capital' (2010:30).

Best's work on the 'strange' immediacy of contemporary affect provides a useful hint towards what a critical theory of biopolitical production might look like, as an alternative to simply dismissing *Empire*. Methodologically, Best leaves behind Hardt and Negri's search for a pure historical subject living and labouring in an unmediated social 'multitude'. Instead, she is committed to a dialectical analysis of capitalist life which focuses on the strange constitution of the capitalist subject within the mediations of contemporary social forms: a constitution which is strange by virtue of its appearance as a thing which is independent of society as a whole. For Best, the dialectical method counters this fetishised reality by offering 'the shock of recognizing oneself in relation to the other, in relation to the social totality that at first seems to stand "over and against" […] and which one discovers is essentially an extension of one's own subjectivity' (2011:81).

In doing so, Best's theory of affect builds on the works of first-generation Frankfurt School theorists by arguing that a key goal of critical theory is to represent the manner in which immediate human reactions are bound-up in the conceptuality of dominant social relations. She writes that authors like Adorno, Horkheimer, Fromm and Benjamin attempted to represent 'the reorganisation of human perception, personality, instinct, desire, aesthetic preferences, and the faculties of taste, sight, and listening […] by the logic of capital' (2011:2). They did so in order to 'defamiliarize the concept of the personal' such that the self can be found in the concept of society, and society can be found in the concept of the self (2011:72). Instead of reading biopolitical production as an 'immediate' product of the 'multitude' exchanging acts of communication, problem solving and affect, Best argues that the domination of biopolitical production really brings on an abundance of mediation at ever greater depths of human experience (2011:80).

As has been the case in this article, Best considers the communicative commodities of the advertising industry as a paradigmatic example (2011:78-80). The advertising industry's deployment of affective commodities is designed to create the impression of immediate desire through the production of overcoded images and narratives. As such, Best argues that the consumption of these commodities entails the consumption of particular ideals which regulate social life from the interiority of the subject, just as Hardt and Negri describe in *Empire*. However, in contrast to Hardt and Negri, Best does not romanticise this internalised logic as some essential expression of the subject's innate desires. Instead, she argues that biopolitical commodities come to embed certain political, economic, and cultural desires within ever more intimate aspects of subjective expression. Thus, she argues that:

When social and cultural narratives are internalized so thoroughly in this way, the affective responses they produce – these social and collective responses – are also internalized, claimed, appear to be as "personal" as instincts or impulses, and can be mistaken for an expression of immediate and precoded productivity or desire. (Best 2011:80)

The affective immediacy which Hardt and Negri so enthusiastically embrace is therefore demonstrated to be of a strange sort because it is an immediacy which is a product of ubiquitous social mediation. And yet, this sense of immediacy has a reality to it as individual desire and the transfer of affect increasingly regulates individual behaviour in a manner which seems 'precoded' and authentically personal to the individual subject. As such, Best affirms Hardt and Negri's idea that affect represents 'an emerging new modality of power and production' (Best 2011:78), however she rejects the idea that this modality exists in a manner which is inherently antithetical to the social forms of capitalist society.

Once biopolitical production is understood in these terms, a new terrain of enquiry opens which allows for a thoroughgoing critical theory. Such theory could be sensitive to the manner in which the ubiquitous mediation of values within the transfer of biopolitical commodities may transform the concrete conditions of contemporary political, economic, and cultural life, whilst also affirming the fact that such concrete conditions are disciplined by capital's self-estranged authority. The strange immediacy of biopolitical production could be theorised without assuming that such production represents an inherently liberatory trajectory. A small number of questions which might arise from such an approach include:

- In what ways might the simultaneity of cultural, economic, and political production *strengthen* the politics of the nation-state and the authoritarian personality?
- To what extent does the fusion of personal values with the production and consumption of biopolitical commodities lead to challenges for the organisation of social movements?
- Does the hegemony of biopolitical production (with its apparently less hierarchical models of social regulation) challenge the privileging of horizontality in leftist social movements?

These questions all attempt to pull apart aspects of biopolitical production which are suppressed within the triumphalism of Hardt and Negri's work. They gesture towards a field of study which could more fulsomely describe the articulation of the self and capitalism within the concrete experience of biopolitical production.

Such a field of study could build upon various efforts to theorise neoliberal social practices, including characterisations of human capital provided by Feher (2009) and Brown (2016), as well as recent theorisations of the authoritarian tendencies within contemporary political economy (Bruff and Tansel 2019; Ryan 2019). However, it could also mark itself as remaining allied with the Open Marxist tradition by asking after the constitution of these tendencies within capital's conceptuality and the foundational conditions of the money-society: the separation of individuals from the means to live without sale; the inescapability of market mediation; and the reduction of subjectivity to 'time's carcass' by the inexhaustible competition for units of socially necessary abstract labour time (Marx 2009:22).

Against the position adopted by some Open Marxists, it should be assumed that holding open the possibility of a rupture with capital's conceptuality is strengthened by the performance of an orienting analysis which represents the particular powers, technologies and desires appearing at a given moment in capitalist history. As Ryan notes, in his qualified defence of historical periodisation, '[t]here is neither strategic, nor theoretical utility in seeing constant change; similarly, there is no utility in totalizing all history into one theoretical category' (2019:121).

Without an orienting analysis, Marxism's asseveration as to the transience of capital's domination is rendered obscure and romantic. Resistance can only be waged by particular individuals in particular spaces with particular ideas and powers-to-act at their disposal. Contemplating the specificity of our collective constitution within a given moment of capitalist history can only strengthen the attempt to forge such a rupture in the present, so long as it is done in a manner which affirms the incompleteness of that constitution and the indeterminacy of that which is yet to come.

Conclusion

The argument presented here has moved from a description of Hardt and Negri's key insights in *Empire* to a critique of their determinism and then to a proposal for further work which could reject the latter while building on the former. This argument indicates that, a quarter of a century later, the analysis of biopolitical production developed in *Empire* continues to raise questions capable of illuminating certain aspects of social reality. However, as has been shown, Hardt and Negri's provocation is wrapped in a dogmatic determinism which says that biopolitical production involves an inherently radical set of productive techniques that challenge the capacity for capital's exploitation to be reproduced.

Ultimately, this misstep derives from Hardt and Negri's notion that biopolitical production is a productive technique which spills forward from the unmediated power of the human 'multitude'. For them, affirming the generalisation of biopolitical production and Empire's apparatuses of power means affirming the liberation of thinking and feeling bodies from the transcendent apparatuses of modernity. This theoretical separation of intuitional power from the individuals that constitute them supports the fantastical idea that human subjects in capitalism exist outside of their own social constitution and that this sociality asserts itself over their heads. In this way, Hardt and Negri reproduce a mythical image of capital as a vast machinery acting over and above human relationships, rather than a form of social organisation which exists on the mundane terrain of everyday life.

By contrast, a critical theory of biopolitical production, which follows the example set by Best's analysis, would be built on the assumption that the immediacy of political, economic, and cultural exchanges within the production and consumption of biopolitical commodities is a result of hyper-mediation, and not its absence. This position allows for the possibility that biopolitical production contains contradictory tendencies which may be conducive to historical rupture but may also create conditions which restrict the capacity for social movements to organise in and against the abstract domination of capital's social forms. In doing so, it would constitute a body of thought which struggles towards a better understanding of capitalism's contemporary conjuncture in the course of affirming the immutable restlessness of human social life and the continued possibility of a decisive break with those social conditions that prevail in the present.

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REVIEW ARTICLE

A TALE OF TWO SIGHTLINES

Grant Belchamber

Yanis Varoufakis, Technofeudalism: What Killed Capitalism

Penguin, London, 2024, 304pp.

Andrew Leigh, The Shortest History of Economics

Black Inc., Collingwood, 2024, 224pp.

Two economics professors turned politicians, both Australian citizens (one a dual Greek national), each write an account of capitalist economic development from the birth of civilization to the present day. Technology and markets – tools and trade – feature prominently in both accounts, along with wars, crises, competition, and innovation. Both books are pitched to generalist readers; neither targets academic specialists. But the two accounts are so different one might think their authors live in parallel universes. How can this possibly be? The answer lies in the history of economic thought – and, more specifically, in a great contrast between two ways of thinking about the economy.

Classical Political Economy

The first approach, *classical political economy*, emerged around the middle of the Eighteenth Century from a quest to understand the *nature and causes* of the wealth of nations. The concept of the 'surplus' is central:

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that is, output over and above what is required simply to reproduce the economy, and the people who constitute it. The existence and use of the economic surplus fuels investment and growth, and it supports the pursuit of comfort and leisure.

Seeing the economy from this perspective recognizes that inputs (of labour, machines and land) are required to produce output in any period (say, a year). The key point is that the surplus in any period is what remains when the inputs have been replaced. A nation whose output is less than the inputs used in its production is a nation in decline. A stationary state exists where output exactly matches inputs, no more and no less. The wealth of a nation can grow over time only if output exceeds the inputs used up in production: meeting its replacement needs (for labour, machines and land) means the show can go on, and the surplus can then be invested to increase future production.

Whether the surplus actually leads to economic growth, however, depends on *how and by whom* the surplus is accrued. Conceptually, the surplus can be split three ways between the three broad social classes. Landlords own land and charge rent for its use. Capitalists own machinery and factories and make profits when they sell their goods at market for more than the costs (wages, raw materials, wear and tear of machines) incurred in production. Workers sell their labour to capitalists and receive wages.

Seen from this classical political economic perspective, it is the application of labour in production that generates value in the surplus. (Note that, in this context, value is a human construct: in a world without humans there is abundance but not value). And it is power relations ('class struggle') between the broad social classes that govern the distribution of the surplus between them. Production and consumption are two moments in the economic cycle, with production being the driving force.

Marx took the analytical framework of classical political economy to a radical extreme. He argued the working class was being systematically exploited by capitalists, who appropriated the surplus produced by workers. This was a time of social unrest. Workers formed unions. Increasingly, class struggle loomed across Europe.

Yanis Varoufakis' story is told from within the framework of classical political economy. Written as a dialogue with his late father, it is in the tradition of the Socratic method – and even draws on Greek mythology to give colour and punch to the narrative. His focus is the evolution of class conflict in a modern techno-obsessed world. The central thesis of his book is that we are at an historical pivot in the mode of production, with capitalism being de-throned by a modern-day kind of feudalism.

Varoufakis argues that we are in the 'Age of Cloud Capital':

> Consider what cloud capital consists of: smart software, server farms, cell towers, thousands of miles of optic fibre. And yet all of this would be worthless without 'content'. The most valuable part of the stock of cloud capital is not its physical components but rather the stories posted on Facebook, the videos uploaded to TikTok and YouTube, the photos on Instagram, the jokes and insults on Twitter, the reviews on Amazon, or simply, our movement through space, allowing our phones to alert Google Maps to the latest spot of traffic. In providing these stories, videos, photos, jokes and movements, it is we who produce and reproduce – outside any market – the stock of cloud capital. This is unparalleled […] paid labour performs only a fraction of the work that Big Tech relies on. Most of the work is performed by billions of people for free (p. 84).

For Varoufakis, the feudal world of proletarians, vassals and serfs is mirrored in the contemporary world of cloud capital. A minor fraction of cloud capital's workforce is paid, just as proletarian artisans were paid in feudal times. Businesses seeking to sell their goods and services through a platform have the character of feudal vassals, obliged to accept the platform's terms and conditions under threat of being denied access to it. With every click today we reproduce cloud capital, just as serfs were bound to work without pay in return for food and shelter on the lord's estate. The size and role of markets and market exchange under feudalism was limited; today algorithms shape consumer demand; and platforms deliver goods and services outside of markets populated by large numbers of sellers and buyers in geographical proximity.

Feudalism captured the surplus through rents/taxes and on the back of unpaid labour. Capitalism displaced feudalism, harnessing technological innovations to capture the surplus by paying workers less than the value of their production. For Varoufakis, the age of capitalism – the production of goods and services for sale on the market driven by the quest for profit – has come and gone. Today, in his view, cloud capital captures the surplus through the rents it extracts and the unpaid labour it harnesses; this new world of 'technofeudalism' has the distinctive hallmarks of feudalism.

The Neoclassical perspective

A second and very different approach to studying the economy is *neoclassical economics*. This emerged as a distinct conceptual framework around 1870, marking a sharp break with Classical Political Economy. Neoclassical economics was in many ways a reaction against the classical theorists and their sometimes dangerous political conclusions. In what is known as the 'marginal revolution', the analytical focus shifted from broad social classes to atomistic individuals, and the core questions to be answered slipped from national growth to individual choice, from distribution to efficient allocation.

Amidst the revolutionary fervor of mid-Nineteenth Century Europe, this marginal revolution – and the associated emergence of 'economics' as a discipline distinct from history, philosophy, and social inquiry - found warm reception amongst academic economists and the ruling establishment anxious to intellectually disarm the critics of capitalism.

The neo-classical worldview stood classical theory on its head. Classes and the surplus vanished. Instead, the analysis commences at the level of the individual, each one free to choose how to spend their (limited) income in an open market, seeking to maximize their happiness ('utility') subject to the 'law of diminishing returns'. An individual with 10 shillings a week to spend is free to choose how much to spend on bread, vegetables, clothes, rent, medicine, beer, and other needs or wants. Neoclassical economics says they will spend their budget in a manner that maximizes their 'utility', ignoring the obvious question as to why many individuals have less than 10 shillings to spend but a few have millions. Utility maximisation occurs when the satisfaction they get from spending another penny on an additional unit of bread, vegetables, clothes, rent, medicine, beer (and indeed all their other needs or wants) is the same for each item consumed.

Adding up the consumption choices of all individuals establishes the level of aggregate consumer demand for goods and services. Firms respond to this demand by producing the corresponding items and supplying them for sale at market. The higher the price for any given item, the more will producers be willing to supply and the less will consumers be willing and able to buy. Supply curves slope up, demand curves slope down: where they meet is a point of equilibrium – where supply matches demand and everyone's happiness is maximized. Moreover, each factor of production receives its 'just return' – the wage is determined by the marginal product of labour; the rate of profits by the marginal product of capital; and rents by the marginal product of land. Value derives not from objective application of labour in production, but from the subjective preferences of individuals in consumption.

In this free market heaven, there is no place nor justification for class struggle, since there are no classes – just a collection of individuals possessing randomly distributed 'factors of production'. Margaret Thatcher was channeling the neoclassical mindset perfectly when she infamously proclaimed: 'who is society? There's no such thing! There are individual men and women and there are families.'

Andrew Leigh's story is told from this neoclassical viewpoint, though he does not once mention the term 'neoclassical economics.' Defining economics as 'a social science that studies how people maximize their wellbeing in the face of scarcity', he claims to tell 'the story of capitalism – of how our market system developed'. Leigh says economics 'considers the behaviour of people as individuals', claims to show how the discipline of economics was formed, and to identify the key figures involved.

This is overreach. Leigh's rollicking, eclectic collection of anecdotes and factoids is an easy, racy, captivating read, a potted history of human activity and accomplishments over time. There are Freakonomics-style cameos providing economic angles on religion, migration, beauty, discrimination, tulips, shipping, and philanthropy. There is discussion on money, depressions, inflation, climate change, and much more. But the book turns a blind eye and deaf ear to a long and rich historical vein in economics: contrary to its title, Leigh's book is neither an economic history nor a history of economic thought.

Leigh opens with a discussion of the amount of labour time required to produce a unit of light. In prehistoric times, light after dark came only from wood fires, and 58 hours of foraging for fuel were apparently needed to produce as much light as a household bulb produces today. In between were oil lamps, candles, and gas lamps, each innovation reducing the amount of labour required to produce the same unit of light. Today 'less than one second of work' will meet the cost of running a light bulb for an hour. Leigh certainly appreciates the importance of work: for example, he notes perspicaciously that 'We are more likely to ask someone we've just met 'What do you do?' than 'What do you buy?' However, he has no sustained description of how human labour drives the production process, and he certainly makes no overt reference to a labour theory of value.

His story is about technology, specialization, incentives, and markets. He notes that the inception of farming marked a turning point in world history, as 'it allowed communities to build up a surplus'. However, in this account, the surplus does not provide the wherewithal for investment and growth (as portrayed in classical theory); rather, the surplus provides 'consumption smoothing', the possibility of eating well between harvests and insurance against famine, or for rulers to fund repressive armies. Leigh interprets historical events through the prism of individual choice and market exchange. In effect, he says, under feudalism 'peasants fed the nobility in exchange for protection against bandits'.

Feudalism, capitalism, markets

The interpretations of feudalism are strikingly different. For Varoufakis, economic life under feudalism 'involved no economic choices'. Landlords owned the commons and ruled the social roost, their power deriving from the rent they extracted (sometimes through cultural norms, sometimes through brute force) from their vassals and serfs. Artisanal production and commerce generated some profit for vassals. Serfs received no wages and had nothing to sell. The rentier class captured the surplus generated by their serfs and vassals and used it to maintain their power and position.

In Varoufakis' account, from the early-Eighteenth Century technological innovations in agriculture and industry saw capitalism dethrone feudalism as the dominant mode of production, profits displace rents in capturing the bulk of the surplus, and waged labour emerge as a distinct social class. For Leigh, it was the bubonic plague – the Black Death – which killed feudalism. So many died that labour became scarce and land abundant, causing rents to fall and food to become cheaper. Leigh's account is typical of neoclassical thinkers who seek to explain everything in terms of supply and demand.

For Leigh, markets are good except when they fail. Market failure occurs when externalities are not priced properly, when firms engage in 'anti-competitive behaviour', and when firms have monopoly/monopsony power. The correct response is for the government to price pollution (including carbon emissions), to outlaw misleading and deceptive conduct, and to implement competition policy that makes market structures more like the textbook perfectly competitive model. For Varaoufakis, conversely, competition is no magic bullet: real capitalist competition is brutal, all about taking out competitors, capturing market share, predatory pricing and price fixing, exploiting workers.

Strangely, Leigh does not mention the about-face over the past 30 years by most of the economics profession about the impact of minimum wages on employment in the labour market. Leigh's assertion that 'Most Meta content moderators don't work for Meta. Most Amazon delivery drivers don't work for Amazon' is plainly wrong. Content moderators and delivery drivers do work for Meta and Amazon respectively, but typically as dependent contractors not as employees, and thus with fewer rights at work. That these firms use loopholes in labour law to more ruthlessly exploit their workers hardly means that the workers don't work for them.

For Leigh, governments are bad except when they are good. Communist central planning is inefficient; market signals work best; governments should not try to 'pick winners' but have a role in making markets work better. For Varoufakis, the economic controls used by the Allies in the Second World War provide the exemplar of successful central planning.

In Varoufakis's story, as in classical political economy, periodic crises are endemic to capitalism. In Leigh's story, the field of macroeconomics did not exist before the Great Depression of the 1930s and was born with Keynes' General Theory; Leigh is frustrated that, a hundred years on, 'economists have failed to tame the boom-and-bust cycle'. He apparently believes that it is possible to put recessions into the rear-view mirror.

Prospects

So, what are the prospects now? Varoufakis's profound, bleak insight is that the current and emerging world of cloud capital has the hallmarks of feudalism and spells the end of capitalism. Platforms like Amazon and Alibaba are not markets, not places where individuals come together to buy and sell wares; sellers must pay rent to the platform provider to showcase their goods and services; buyers are taken by algorithm to the things on offer; and with every 'click' consumers provide data for free to the platform providers which then feeds the algorithm. Although his case is compelling for retail activity, international trade in such things as bulk raw materials, machine tools, automotive components or luxury yachts does not yet appear to be conducted through platforms. Nor are multinational supply chains so intermediated, at least not yet. It is clearly over-reach to claim that capitalism is already dead.

Varoufakis courageously attempts to imagine 'another now' and to outline what a better world might look like. He posits democratised companies in which each worker owns one share; and all corporate decisions are taken collectively based on 'one share, one vote', presumably on the basis of full information. This is a big ask. A core tenet of neoclassical theory is that individuals act independently on the basis of full and relevant information. *Homo Economicus* – the neoclassical individual who weighs up every current and future price and probability in making every choice decision – could not survive Herbert Simon's insight (which won him the 1978 Nobel in economics) that humans do not have the cognitive capacity to do what *Homo Economicus* is supposed to do. Varoufakis' idealized worker-shareholder labour force in perfectly democratized firms (eerily similar to the neoclassical model) is vulnerable to the same criticism.

Leigh's enthusiastic proselytizing for his neoclassical view of the world's history and future prospects is a meandering collage of 'Wow!' and 'Oops!' insights. Trade and specialization are wonderful, but global political turmoil and pandemics can leave us stranded if we have no domestic production. Prosperity comes from markets, provided that governments sufficiently manage risk, undertake insurance against catastrophe, and offer a safety net for the weak and poor. Governments have a big role to play in research and development, in driving innovation, and in combatting climate change. Overall, it is not clear whether Leigh wants more markets or more market intervention.

Varoufakis made me think. Leigh occasionally made me smile, but his arrogation of the history of economics mostly made me squirm. Both books can be recommended for the coffee table. Beyond this, the one by Varoufakis could be a useful inclusion on reading lists for courses on political economy that encourage debate about the changing character of capitalism in the current era.

Grant Belchamber is a former senior research office for the Australian Council of Trade Unions. *He thanks Steve Acton, Michael Belchamber, Raja Junankar, Jim Stanford, and Ian Watson for their helpful comments on an earlier draft.*

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BOOK REVIEWS

Cameron K. Murray

The Great Housing Hijack: The Hoaxes and Myths Keeping Prices High for Renters and Buyers in Australia

Allen and Unwin, Crows Nest, 2024, 324pp., $35, paperback.

Reviewed by Riki Scanlon

Everybody is selling you a story about housing, but you shouldn't believe them. That's what Cameron Murray wants to say in *The Great Housing Hijack* – that the debate over housing has been hijacked by property owners to serve their interests. The developers claim that less regulation and more supply would achieve affordable housing, despite the fact that the returns on their investments require high prices and high rents.

A Marxist might call this the contradiction between the class interests of landowners and renters. Murray calls it the unavoidable 'symmetry of property markets': every shift in market prices or state policy produces winners and losers. If rents go up, landlords win; and renters lose. Yet this symmetry of housing markets is concealed by an asymmetry of power and politics: academics, politicians, policy wonks, and the media are part of a chorus singing that everyone can win, despite proposing policies that benefit property owners only.

Surveying both economic theory and an expansive range of housing policies, the book provides a clear-sighted analysis of the Australian housing market, suitable whether you are familiar with the economics of housing or not. It is divided into five main sections. The first deals with the economics of the housing market, forming the conceptual basis for the book's subsequent analyses. By deploying a more-or-less orthodox economic toolkit of 'five housing market equilibria', Murray sets out to explain the determination of housing asset prices and rents, as well as where housing gets built and how dense it is built. For an urban economist, some of these equilibria are well-trodden ground, but Murray introduces them plainly and simply, with minimal reliance on algebra or graphs.

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Crucial to his story of housing is the concept of ‘absorption rate equilibrium’, which is the optimal amount of housing that can be added to the housing market without suppressing developer profits. Developers possess large stores of land available for development and they can select a range of different rates of building (and selling) houses. Given a certain number of buyers per period – investors or otherwise – a developer can identify how many houses to release on the market to maximise their returns. This works because landed property, at its heart, is a monopoly over fixed locations on the planet, where capital investments on the land are relatively large-scale and relatively fixed. From the perspective of developers, housing construction is a one-off investment: you’ve got one shot to build and sell on each lot, at least until land values increase enough in the future to warrant re-development. As a result, developers face the choice of whether to build now or in the future, when they may accrue additional capital gains from increasing land values. The overall effect, Murray argues, is that developers are better off drip-feeding houses into the market rather than dropping them all in at once.

Next, Murray turns to the ‘housing hijackers’ who he eviscerates for muddling the housing debate: politicians, academics and policy wonks, journalists, and YIMBYs (Yes In My Back Yard). He pulls no punches here. Politicians have vested interests in sustaining high land prices; academics and think tanks generate research funding from an ongoing housing crisis; the media is funded by real estate advertisements; and YIMBYs are hypocritical culture warriors. There are some astute comments here, but the overall political analysis falls short, at least for my tastes, because it ignores the key structural links between the class of landed property, the making of housing-as-assets, and Australian capitalism. Murray’s focus on particular and personal failings – notably, the book spends seven pages diagnosing a single *Four Corners* episode – is less compelling and suggests fewer pathways for political change.

The book’s third section addresses ‘distractions and distortions’ in thinking through housing markets. Here, Murray criticises some of the common reference points for understanding housing markets and policies. For instance, he argues that ‘price to income ratios’ make no sense as a measure of affordability, because housing affordability depends on the annual costs of housing (whether as rents or mortgage repayments) rather than the ratio of asset prices to incomes. While this may be true, price to income ratios do capture a distinctive shift in the re-organisation of housing-as-assets.

Amongst these distractions, Murray argues against YIMBYs and property lobbyists who support looser planning rules to unlock additional housing supply. Based on the absorption rate equilibrium, he reasons that relaxing planning rules – also known as 'upzoning' – won't incentivise developers to build more houses: after all, developers get plenty of planning approvals through the system, but many approved developments just gather dust on the shelves. Instead, developers wait for the best development opportunity. Looser planning rules might change the optimal sites for development but won't radically alter the optimal amount to build and sell.

This builds into the critique – developed in the book's fourth part – of 'hoax housing policies'. If the officially stated policy objective is to secure cheaper housing, some scepticism is warranted for policy-pushers who benefit from expensive housing. The property lobby is a champion of enhancing supply through 'cutting red tape'; but Murray sees limited evidence to support such claims. Meanwhile, abolishing negative gearing or cutting the capital gains discount is presented as primarily a distributional issue: whether the gains from the housing market accrue to (some) private purses or to the public purse.

Ultimately, Murray regards government policies that seek to tinker with the housing system as either non-starters (planning reform) or re-arranging deck chairs (tax reform). In the fifth section of his book, he canvasses alternative public housing systems and proposes his preferred policy, dubbed HouseMate, which calls for the government to act as a national public developer. In his words, 'HouseMate gives every non-property owner Australian citizen the option to buy a home from a public provider at a cheap price' (p. 277). He argues that a parallel housing market, run by government, would create competitive pressure on private developers. The model he proposes is broadly similar to other Australian private/public market mixes: Murray points to the parallels with public and private education, health, and transport.

This proposed model is a structural change to housing that some on the political left would embrace, but others would recoil from it. Some would prefer universal public housing rented cheaply, not sold into private hands. Interestingly, despite Murray's criticism of the property monopoly, he retains some support for the allocative functions of housing and rental markets (*e.g.* in distributing highly desired locations to those willing to pay for them). Yet, it leaves this reader wondering whether more radical changes are needed to the system of land, property, and housing – ones that might have been highlighted by considering the structural links between landed property, housing-as-assets, and the organisation of Australian capitalism. The partial reallocation of land development from private to public hands is an encouraging pointer towards this possibility.

Seen as a whole, *The Great Housing Hijack* is a clear and engaging book that takes no prisoners. Reading it conveys the impression that everyone else is a villain in the housing debate and that the author is a lone crusader, armed with the exactitude of a few equilibria and a commitment to point out every hypocrisy and conflict of interest. The political story implied by this approach is somewhat underwhelming, for this reviewer anyway. However, the economic theory underpinning the book's principal arguments is cogently explained and presents a serious alternative to the orthodox narratives of housing markets and the non-solutions they propose.

Gareth Bryant and Sophie Webber

Climate Finance: Taking a Position on Climate Futures

Agenda Publishing, Newcastle Upon Tyne, 2024, 200pp., $57, paperback.

Reviewed by Stuart Rosewarne

Climate change governance, especially since the signing of the 1997 Kyoto Protocol, has been dominated by the nation-states of the Global North securing agreement to avoid adopting carbon emission targets that would frustrate the pace and scale of capital accumulation. The earlier fears of OECD states and emissions-intensive enterprises that capital accumulation might be limited by the introduction of carbon permits as the vehicle for implementing emissions reduction target have abated. Rather, it is now widely accepted that capital has seen advantage in the issue of permits that can be treated as a commodity, making decarbonisation strategies an instrument that can be traded. The metamorphosis of carbon emissions through the issue of permits as a tradeable commodity has introduced a new arena of accumulation. This is the capitalization of nature. Capital has shown its capacity to innovate in the face of what might otherwise have created a constraint on accumulation.

This opportunist entrepreneurialism has been consolidated as capital and the state have responded to the development of instruments to effect climate change governance. A critical aspect of this has been the financialization of climate change processes, whereby the pursuit of emissions management goals has engaged several measures that help to secure further capital accumulation. A burgeoning critical literature documents the adoption and effects of these various climate change management policy measures. The process builds on an economic discourse that privileges the market, ostensibly as a neutral arena in which entry is presumed to be unrestricted, outcomes are not prejudged, and which is more-or-less independent of the state. One critical corollary has been the elevation of the operation of these climate change measures as financial processes.

Climate change governance has been superseded by climate change finance. This more market-centric approach has tended to undermine concern with the urgency of halting environmentally damaging economic activities. Instead, time has become a variable to be traded against; and innovative entrepreneurialism has engaged several instruments that, in one form or another, reference time. Economists have had a longstanding concern to theorize economic exchange across time, but what is new in climate change governance is that it must engage with time because of its pervasive import. Gareth Bryant and Sophie Webber's recently published *Climate Finance* is an important intervention in exposing this.

As the book shows, climate change governance has increasingly been framed to encapsulate the process of capitalization and to privilege the market as the institutional arena, so management has become manifest in the financialisation of the governance measures. Until now, there has been no general attempt to canvas the reach of this process, let alone the physical and distributional implications of climate change governance. This is a huge, if not catastrophic, lacuna, especially because the Global South has borne the brunt of the effects of the mismanagement and, more generally, because the structurally disadvantaged social cohorts, based on gender, race, ethnicity and low socio-economic status, have had to carry much of the cost associated with climate change.

Climate Finance addresses these dilemmas arising from the different ways in which climate change governance techniques have come to dominate nation state and multilateral policy responses to the challenge of climate change. The book provides an insightful appraisal of the different policy approaches and their general failure to make any substantial impression in reducing greenhouse gas emissions and the damaging force of climate change. The study is a reminder of the hegemonic force of neoliberalism and the different policy designs it has summoned. Moreover, it shows how these different policy designs can be neatly dissected to unveil financialisation as the common denominator that has made climate change governance into a vehicle for capital accumulation.

Climate Finance identifies five dominant policy positions that have been formed on the foundations of finance:

- *climate capital* that sees opportunities for capitalizing on climate action
- *climate risk* that entails the potential benefits of investing in carbon mitigation or adaptation in an uncertain natural world
- *precision markets*, based on modelling carbon trajectories to inform market governance or insurance
- *speculative markets*, including green bonds and other borrowing by entrepreneurs to invest in new technologies
- *big green states*, managing through monetary, fiscal and industry policies.

The deployment of these respective policy approaches varies across the global political economy. The book describes the characteristics of each position and provides brief illustrations of their relative significance when deployed by individual nation-states. The reader is presented with what amounts to an atlas detailing the adoption of the various forms of climate finance governance and showing how nation-states differ in their commitments to mitigating emissions and to dedicating resources to adapt to climate change. This, in turn, helps to highlight the varied deleterious impacts on those social cohorts that are framed by class and socio-economic status, gender, race or ethnicity. The mapping also invites consideration of the link between governance measures designed to catalyze capital accumulation and the beneficiaries of these measures.

In the book's concluding chapter on 'Climate Justice Finance', Bryant and Webber confront the challenges faced in effectively contesting the dominant forms of climate finance governance. Several alternative approaches are examined: the UNFCCC-initiated international public climate finance that includes loans; reparations to compensate for historical climate debt; the Green New Deal that seeks to link the democratization of governance with specific policies to restructure the economy; and the Degrowth model that entails slowing and then stopping accumulation-driven economic expansion. The latter two approaches are regarded as more radical but neither has had much traction to date: as the authors say, GND and Degrowth are not 'being adopted wholesale'. Seeking to end on a positive note, however, they argue that these dissenting positions are driving a shift and broadening debates around the range of climate finance government options. Bryant and Webber also point to some positive developments that suggest the struggles to bring an end to the destructive force of carbon capitalism may be having real traction.

Challenging the imperative to accumulate capital and its governance through financial instruments is a daunting task. Still, there is urgency in the need to reconcile the outcomes that are generated by the several climate finance change instruments. The reality is that this reconciliation is contingent on state intervention to drive the transition, but that this is a role from which states have generally sought to disengage during the neoliberal era. *Climate Change* helps in understanding this paradox. By showing the various climate finance positions and their consequences and problems, it provides a clear analysis that should be helpful to people currently feeling overwhelmed by the enormity of the challenge of getting more progressive climate change action.

Ben Spies-Butcher

Politics, Inequality and the Australian Welfare State

Anthem Press, London, 2023, 218pp., $217, hardback.

Reviewed by Stuart Rosewarne

In *Politics, Inequality and the Australian Welfare State After Liberalisation*, Ben Spies-Butcher injects a sense of hope that there is an alternative to the liberalisation project and the era of austerity. It dissents from the common view that neoliberalism's hegemony, together with the declining influence of trade unions and progressive social movements, makes it almost impossible to fashion a more egalitarian future. *After Liberalisation* takes issue with this reading of the reign of neo-liberalism to contend that the conviction in the role of the state as a critically significant institution was not crushed by the neo-liberal project. Rather, the form of the state's intervention to ameliorate the structural inequities that emerged has radically changed '[i]n the face of strong democratic demands to maintain social protection' (p. xiv).

The conceptual pivot on which Spies-Butcher's reinterpretation has been constructed is the idea that the petitioning of the welfare state has resulted in dual forms of social protection. One dimension has been the abandonment of universal rights to protections and its replacement by an emphasis on individual responsibility and selectivity, with these provisions underwritten by targeting, marketisation and financialisation. The other posited dimension is the result of progressive forces that have been securing the adoption of several new welfare provisions which has resulted in hybridity.

The duality-hybridity phenomenon is explored through a series of case studies. One focuses on a comparison of the conditionality imposed on unemployment benefits and family benefits. Another considers the privatisation of early childhood education and of health care. A third is the financialisation of the wage-earner model in superannuation. In each case, the duality-hybridity nexus is presented as the product of the neoliberal-informed – sometimes called 'economic rationalist' – rationale for delimiting benefits being contested by progressive forces, so the austerity and privatisation project is never completely fulfilled. In this way, the book seeks to illuminate hybridity as the outstanding feature of the contested character of the neoliberal project. It presents variability in welfare provision schemes as characteristic of the contemporary welfare state.

After Liberalisation highlights the evidence of contestation, the pitting of the neoliberal project against progressive forces, as critical to the formation of duality and hybridity. This prompts Spies-Butcher to introduce the analysis of policy formulation by reflecting on the state – or more accurately, the econocrats – in designing policy, before turning to examine those progressive forces that are making a difference in the focus of the welfare state, most notably feminists. This, I suggest, is not an unproblematic foundation on which to construct a narrative of hope.

In the first instance, the discussion of state policy formulation begs the question of how the econocrats came to yield so much sway over social protection policy. Was their influence pervasive and/or mediated through a hegemonic department, such as the Treasury? Or was their influence simply reflective of the policy predilections of the party in government? Do the differences in the state's welfare policy provisions reflect variability in the influence of the neoliberal project and its advocates? Given that the state is central to this story, a richer appreciation of the structure of the state might have been attempted, looking at how it is constituted by a complex of various apparatuses, each of which may function according to a different *raison d'être* that may or may not be consonant with a dominant tendency. The issue of the exercise of *agency in and through the structures of the state* is worthy of some further reflection, especially since this is what must be confronted by people contesting how state power is used in practice.

In the second instance, Spies-Butcher sees the cause for hope resting in the successful campaigns waged by feminists who have recognised the structural transformation in the Australian political economy and women's increasing labour force participation. In giving this centrality to those feminist causes lobbying for the extension of welfare state protections that would enable participation, *After Liberalisation* surely breaks with a tradition that held out the hope that the male industrial working class and the Labor Party could be the vanguard for reform. It focuses attention on struggles to enhance the integrity of social reproduction and create more comprehensively egalitarian outcomes.

Coalitions across the spectrum of service providers can, it is argued, connect workers with community in ways that the workers producing goods do not, and increasingly have not been able to do. Coalition building could also be seen as establishing bridges between communities and state service providers, bringing humanity into the state and marginalising the place of the econocrats in the design of social protection measures. But this appeal to coalitions and connectedness as being more grounded in communities could be overly optimistic. Witness *Robodebt*, an extraordinarily punitive and humiliating experiment in accountability, whose implementation was carried out by civil servants with no resistance at the time to speak of. An extended personal engagement with civil servants in the Department of Foreign Affairs exposed surprising insight into the intense racism displayed by staff in their dealings with refugees and which fitted neatly with the Coalition government's *oeuvre*. The scale of the 'No' vote in the referendum on the Voice also highlights the extent to which progressive reform agendas can face resistance. We need to acknowledge that the provision of social protection measures may be rejected out of hand or elicit reactions that conflict with the ambitions of progressive social movements.

None of this implies that *After Liberalisation* is not recommended reading. On the contrary, it certainly is. There is much in the book that is constructive and informative; and it warrants serious reflection and building upon. The book's strengths lie in identifying the tensions and contradictions within the neoliberal attempt to roll back the welfare state and the success of the nascent social forces challenging these processes. It deserves to be widely read and debated because it gives us tools for understanding the continually evolving character and effects of key public policies that shape Australian society.

Franklin Obeng-Odoom (ed.)

Handbook on Alternative Global Development

Edward Elgar, Cheltenham and Northampton, 2023, 374pp., $375, hardback.

Reviewed by Harrison Read

When you think of development, you likely think of economic growth. As an undergraduate economics student, development was presented to me in this context. Both the idea of 'catch-up growth' and 'Rostow's stages of growth,' coloured my initial understanding of development. Neoliberalism was also prescribed as the generally correct formula. While the path-dependency argued by these ideas has been disproven, economic growth is still seemingly the be-all and end-all of mainstream development thinking. It was the way that sustainable economic growth eluded many Latin American countries which led to their 'failure.' It was the ability of the Asian Tigers to capture and seduce economic growth that led to their 'success.' Even the framing of China's astronomical rise as 'socialism with Chinese characteristics' attempts to derive a repeatable formula in the hope that other developing countries may achieve a fraction of the economic growth China has experienced.

Is economic growth the panacea to all the world's development ailments? World economies continue to grow and grow, yet the environment is collapsing, an insurmountable wealth gap is forming, and other inequalities and stratification are deepening. But what is the alternative?

At the very least, this faith in growth has lifted most of the world out of poverty. So, is this 'growthist' mindset the best approach? This complex question has led to many landmark works utilising multidisciplinary approaches - for example, Sen's *Development as Freedom* - to argue how we ought to see development.

Handbook on Alternative Global Development (the Handbook) also challenges this dominant conformist view, proposing its own conceptualisation of development. However, the Handbook departs from the typical alternatives in two significant ways.

First, most prevalent post-development critiques of this growthist idea of development are Northern in origin. They criticise this economic orthodoxy on the ugliness of its eventual outcome. For example, 'late-stage capitalism'. Broadly speaking, this represents the view that the capitalist system has become unstable and will eventually deteriorate so that it serves only a few wealthy people at the expense of the majority. Notably, these Northern theories largely ignore the current struggles experienced by the Global South. This Handbook is motivated by the hardships experienced today, rather than the fear of a future outcome.

Second, alternatives for development are often reductionist as they still maintain an adherence to mainstream principles. Post-development admires 'local needs' as anti-development rather than representing an alternative form of development. The dichotomy of identity *vs.* class politics still anchors broader global political development debates. Alternatives continue to be framed within the Marxist paradigm. The Handbook attempts to go beyond these traditional confines. It applies a political economy perspective, not just engaging with the various approaches of development theory but also going beyond them to take a more considered and holistic approach to examine the question of development itself.

By taking both these points of departure from conventional development economics, this Handbook fills a large void. Understandably, no other book has tackled this almost insurmountable task – to critically engage with the political economy of development in its entirety to provide wider and deeper alternative modes of development. Within its twenty chapters the Handbook examines everything from gendered inequalities in human capital to the nature of wealth building.

This collection of arguments is structured into three parts, a structure that helps the Handbook flow relatively seamlessly and assists the reader to digest the complex and multidisciplinary nature of this topic.

Part 1, *Global Development and Underdevelopment*, establishes the motives of the Handbook – to search for alternative paradigms to the development question. Chapter 1 highlights the limitations of current thinking, stressing the fragmented approach that plagues current theorisations. This chapter argues for the need to 'bridge these gaps' to form a complete view and understanding of development. Chapter 2 demonstrates how these shortcomings can restrict our understanding of development. The ability of Marxism to accurately describe the postcolonial experience is critically examined to demonstrate this point.

Part 2, *Problematic Explanations*, forms the core theoretical insights of the Handbook that serve as the basis for the alternatives proposed in Part 3. The coverage ranges from traditional aspects of the development experience, such as neoliberalism, property rights, the resource curse and international trade, to more nuanced elements such as microcredit and remittance, all examined in pursuit of understanding the development paradigm. Chapter 3, for example, highlights the restrictive nature of engaging with neoliberalism solely to 'reiterate its diabolical nature.' Instead, it is argued that there is more value in utilising neoliberalism to form deeper questions – 'to resist yes/no questions on state spending and intervention to ask what sort of spending and interventions and how are political decisions are being made.'

The final chapter of Part 2, Chapter 12, concludes by highlighting the deficiencies of mainstream development theories. It characterises the basis of China's development as a Faustian Bargain – China subjected its labour to exploitation by Trans-National Corporations in order to receive greater technology needed for development. The upshot of this, and the other traits highlighted in the chapter, is that China's development is unique. Given the current trend of Western countries to 're-shore' industries, it might not even be replicable. However, the chapter extends this line of questioning, asking if China's developmental path is even desirable. Even if one disagrees whether China is itself capitalist, it is dependent on a capitalist world system. How will China be able to sustain its development in a late-capitalist or post-capitalist world?

Part 3, *Alternatives*, builds on existing alternatives within the context of the problematic explanations outlined in Part 2. Alternatives are provided to conventional agriculture and broader regional economic systems, incorporating marginalised groups and addressing environmental degradation. Mirroring the approach of Part 2, these alternatives are, in part, extensions of recently proposed alternatives. On one hand, Chapter 14 examines Community Wealth Building, with its origins in the Global North, to reorient development inwards to strengthen local communities. On the other hand, Chapter 18 proposes envisioning development within the notion of Burkindi, which is derived from Burkina Faso. A Burkindi-based development model, it is argued, can be used to forge 'the promotion of good governance,' or 'self-centered development,' for example. Importantly, these alternatives are not argued to be absolute. Rather, the case is made that these are 'open concepts' requiring further thought and re-theorising.

The ambitious nature of this Handbook is both its greatest strength and weakness. Although a truly comprehensive account of development theory is impossible, this 374-page Handbook comes close. Some thoughts are left incomplete, however. For example, in Chapter 14, Community Wealth Building is shown to be an effective strategy at the local level, but the key question of scalability – whether it could work in a wider regional or global context – is left unanswered. Admittedly, the intention of the book is to represent a starting point or a catalyst for further re-theorisation and refinement of its novel concepts. Nonetheless, it could have been strengthened by introducing a more tangible framework that could be repeatedly applied to the various questions of development theory. The approach of the book, questioning everything in development theory through a political economy lens, remains quite abstract. Consequently, the same limitations that have engulfed broader development theory – leading to an incomplete understanding – can persist, creating the real risk that the nuance of the arguments made in this Handbook will be lost.

The danger is greater if its only context remains within the self-contained circuit of development theory. Mainstream theorists can be expected to focus their critiques on the abstract nature of the Handbook's ideas that diverge from the core idea of development that we know today. The upshot of this would be debates on debates and conclusions on conclusions, rather than producing any real alternatives for development theory. This is not to say that this Handbook should be exempt from being critically examined. Rather, it stresses the importance of asking the right questions. In the same manner as suggested in Chapter 3 of the Handbook, we must resist the yes/no questions and dive deeper.

To the editor's credit, a strength of this Handbook is the broad spread of its chapter authors – geographically and by gender and ethnicity – as well as drawing country-specific examples of development challenges and how they have been handled. Development is a field in political economy where the interconnection between theory and experience is of paramount importance. Ultimately, the tests are the extent to which alternative approaches to development are adopted and implemented in practice and, then, how effectively they operate to create better lives for marginalised and disadvantaged people.

As someone who is currently studying development economics, I wish the Handbook had been published earlier. It provides foundational knowledge on the current state of development theory. More importantly, it forces the reader to confront and critically reflect on their own personal views. Regardless of the conclusions one draws from this Handbook, it represents a necessary next step in development theory. The Handbook is not complacent. It does not just critique the current state of development theory. Rather, it aims to inspire a mutation within development theory - to unlock and to create a new mode of development and a new identity of development theory. *Handbook on Alternative Global Development* is highly recommended to all that are interested in any aspect of political economy and development theory.

Robert Freestone, Bill Randolph and Wendy Steele (eds)

Australian Urban Policy: Prospects and Pathways

ANU Press, Canberra, 2024, 501pp., $79.95, paperback.

Reviewed by Franklin Obeng-Odoom

The need for research to shape public policy is widely accepted by political economists. So, a new book that examines the historical context of urban policy, why research must inform policy, and how establishing or maintaining this relationship between research and policy is often difficult, must be a welcome contribution to Australian political economy. Fundamentally, this new book suggests many ways of enhancing the policy relevance of Australian research.

The focus on urban policy is an appropriate emphasis because Australia is an 'urban nation' (*e.g.* pp. 4 and 8). The book sets out three specific questions:

> First, what has been delivered in demonstrably value-adding ways to enhance the prospects for productive, sustainable, and liveable cities? Second, what aspirations have fallen short or produced counterintuitive outcomes because of governance, financial, and political reasons? And third, and arguably most importantly, what can be identified as matters of emergent concern in both challenging existing and devising new policy settings to address the quality of life of Australian city regions into the mid to late twenty-first century? (p. 6)

To address these questions, the editors invited both leading and emerging analysts of Australian urban and regional development to reflect on a wide range of concrete problems and policy issues, ranging from climate change adaptation and the UN Sustainable Development Goals to potable water, heritage policy, urban renewal, urban housing, urban infrastructure, including urban transport, urban density, 'smart city' development, governance, and urban inequality. Each author is tasked to examine achievements, failures, or challenges (p. 14), whether spatially or intersectionally.

The resulting 21 chapters are grouped into six main themes. The first three chapters are introductory. The next four, constituting part 2 of the book, are built around 'sustainability, the environment, and conservation'. Part 3 is made up of five chapters addressing issues of 'population, settlement, and urban form', while Part 4 has two chapters on 'productivity and infrastructure'. Part 5, 'justice and wellbeing', has five chapters; and Part 6, on 'transitional needs and challenges', is woven from three further chapters. The editors themselves end the book in Part 7 with some concluding observations.

The individual chapters make clear contributions to the overarching aim:

> to challenge orthodoxy, commit to transition planning and management, and better recognise the principles of subsidiarity and equity, national leadership, and Australia's international environmental and humanitarian obligations. Urban policy matters, but it emerges as contested and often misused and misrepresented by vested interests, although still with largely unrealised transformative potential, particularly at the research-policy nexus within the Australian context (p. 451)

The book also shows that Australian cities not only contribute some 80 per cent of Australian GDP (p. 4); they also provide the form and structure of political economic processes and experiences. Simon Pinnegar's careful study of how urban 'industrial land "grab"', under the guise of 'urban renewal', institutionalises urban inequality (Chapter 10) illustrates the point. So does Frank Stilwell's extensive urban economic analysis (Chapter 22) which includes, among other things, a perceptive historical and contextual account of how William Alonso's urban economics that emphasises 'efficiency, equity, environment, and quality of life' influenced both policy and research in Australia (pp. 433-4). Stilwell's contribution is valuable in linking the socio-spatial experiences of the city with Australian political economy, and sustainability in the past, present, and the future.

Professors Freestone, Randolph, and Steele, the book's distinguished editors, deserve commendation. Bringing together forty authors to demonstrate a common vision from a variety of specialist fields is no easy matter. It is harder still to give 'contributors […] free rein to present their distinctive perspectives' (p. 14). The end, a detailed account of a major feature of Australian society, justifies the means. The legacy of the eminent Australian urbanist, Patrick Troy, is the inspiration for the book (pp. 17-18) and his presence as the person to whom the book is dedicated (p. v), is palpable.

Yet, the book's explicit espousal of a primary commitment to 'a national lens' (p.7) amounts to *spatial separatism.* The idea that Australian urban policy or urban experience can be effectively analysed and understood entirely within the Australian nation state without carefully probing the world or the region of which Australia is a part is a serious methodological problem in urban research, as Charles Gore demonstrated in *Regions in Question* (1984). Spatial separatism is particularly worrying when applied to 'climate change', which is, of course, a global issue. As Patrick Troy (2011:11) pointed out in *Ethics and Economics in Urban Australia*, 'Australian cities are increasingly subjected to forces generated beyond their boundaries and, indeed, beyond those of the nation'.

Even so, *Australian Urban Policy* has many lessons for political economists. Readers of this journal will benefit from the book's detailed investigations of a wide range of questions. From 'productivity and infrastructure' (Part 4) and 'justice and wellbeing' (part 5), to 'transitional needs and challenges' (Part 6), the book offers food for thought and the raw materials for further political economic research within and outside the policymaking process. Paying particular attention to Indigenous urban and regional development (Chapter 15), for example, can help us to further appreciate and demonstrate the centrality of *rent theft* to political-economic processes, problems, and policies.

If Australian political economy is to be more than just heterodox economics, then this book provides an excellent example of the sort of interdisciplinarity, coalitions, and alliances required. Blending careful historical and contextual analysis of experience and policy with concrete action is already a cherished tradition among political economists, of course. But this book provides a compelling indicator that the future of Australian political economy must strongly emphasise the study of cities and regions.

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Yanis Varoufakis

Technofeudalism: What Killed Capitalism

Penguin, London, 2024, 224pp., $25, paperback.

Reviewed by Thomas Klikauer and Thu Nguyen

This, the latest of many books by Yanis Varoufakis – Greek-born academic, politician and former Finance Minister in Greece's government – is an intellectual memoir, historical overview, and discussion of politics, economics and new technology. It explains why, in the author's judgment, capitalism is now dead and how a significantly different political economic system is reshaping our world.

Contrary to Marx's political economy, Varoufakis argues that capitalism's demise has led to 'technofeudalism' rather than communism. The book's principal strength lies in enabling readers to address key questions about this transformation, how it relates to ongoing political economic developments in global capitalism, what struggles are likely to eventuate, and what different type of society could emerge.

The book is divided into easily digestible sections, beginning with a detailed preface, followed by seven chapters and, finally, two appendices. The first chapter pays homage to his recently deceased father, Georgis, who held radical-progressive political views and influenced his young son through the daily lessons he gave. Looking back, Yanis acknowledges this as an important basis for helping him understand how political economy and technology affect society. At an early age, he learned that technology never 'just' creates unfair situations: nor does it 'just happen' as it is inextricably linked to political economy.

Subsequent chapters apply this perspective to discussing the evolving technological and political conditions in the current era, focusing on significant features of the so-called 'Digital Age'. Rather appealingly, the book challenges the traditional political economy view of capitalism, illustrating the complex mix of market dynamics, consumer preferences, and centralized control in large corporations. Varoufakis says that a central feature of what we can now see is the effects of privatisation of the Internet by large monopolistic corporations seeking profit while relying on the unpaid labour (provided by their *customers* whenever they use the net). The tech giants take on a rent-seeking *Gestalt* that resembles a kind of modern version of dynamic feudalism. He says that 'capitalism exhibits dynamic evolution alongside inherent vulnerabilities, akin to an Achilles' heel', adding that: 'Metamorphosis is to capitalism what camouflage is to a chameleon […] [D]igitally networked technologies that capitalism spawned proved its comeuppance' (p. 27).

So, what political economic developments brought us to this point? Varoufakis argues that, concurrent with the failure of central planning in the former Soviet Union in the twentieth century, the rise of a capitalist technostructure turned American capitalism into a monopolistic economy, albeit one that continued to have some market features. Within the USA – and global capitalism more generally – neoliberalism was a key element because: 'neoliberalism delivered the necessary ideological veneer to legitimise the assault on organised labour' (p. 49) and 'neoliberalism [also creates], industrial scale inequality, not to mention [its impact on] democracies' (p. 53). This historical political economic context is significant because it was a particularly aggressive form of capitalism – known as neoliberalism – which gained worldwide dominance.

Varoufakis emphasises how the resulting privatisation process has affected market dynamics, competition, and public services in the context of global economic changes. Recognising the huge power of monopolistic Internet corporations, he points to '*The Minotaur's* Favourite Handmaidens: neoliberalism and the computer' (p. 48), arguing that feudal traits become increasingly evident as the giant tech companies controlling digital platforms exploit user data like medieval barons once exploited the harvest of peasants. Using 'cloud serfs', Varoufakis argues, 'enriches a tiny band of multibillionaires residing mostly in California or Shanghai', while 'digital platforms and data-driven fiefdoms [enrich corporations] such as Amazon [and] Alibaba [while] other industrial sectors are turning into cloud fiefs too' (p. 77).

Simultaneously, traditional markets are said to be dying. The resulting shift in economic power is summarised as 'the rise of the cloudalists and the demise of profit' (p. 83). 'Cloudalists', Varoufakis says, 'have changed everything […] the autonomous individual, the ownership of identity, the context of politics, the nature of the state, the texture of geopolitics' (pp. 86-7). He argues that this leads to inequities that are turbo-charged by the financial uber-lords, often known as 'The Big Three': 'BlackRock, Vanguard, and State Street take the money of the seriously wealthy and buy literally everything' (p. 99).

In these ways, Varoufakis uses his critical analysis of 'technofeudalism, hyper-capitalism, or platform capitalism' (p. 105) to explain the transformation of the political economy from a profit-based system to a system dominated by rent extracted through cloud capital. However, rather than focusing on the rise of 'rentier capitalism', as Christophers (2018) does, Varoufakis emphasises that it is the rise of techno-feudalism that has caused capitalism's death. He says that: 'Rent flows from privileged access to things in fixed supply […] however much money invested in them. Profit, in contrast, flows into the pockets of entrepreneurial people' (p. 108) such as Amazon, eBay, Alibaba, Jeff Bezos Expedition, and Elon Musk. Is this now 'capitalism on steroids?', he asks (p. 114). He interprets 'the Great Inflation and cost-of-living crisis' in this context, saying that 'Inflation is […] symptom of a flare-up of the ongoing class war […] by politics and power […] enhancing the scope of cloud capital. The Great Inflation […] [is] bad for labour's political power, as it turns more of us into cloud proles' (p. 124).

Global conflicts between superpowers are a further feature of the contemporary world ‘order’ that Varoufakis analyses, such as the war in Ukraine and the role of Putin. He argues that the global political economy is dominated by a division of the world into two distinct and competing super-cloud fiefdoms and a trajectory towards technofeudalism. For Varoufakis, the world knows that a ‘New Cold War’ is happening but the key question is, ‘who wins and who loses’ (p. 148). He argues that old-style capitalist firms may lose ground, while cloudalists could gain power through technology-driven capital.

Yet, if this is not capitalism anymore, could it be something even worse? And what if the world we are living in comes to resemble a dystopia rather than the rosy visions of tech utopias from Silicon Valley (Wark 2021)? On this, Varoufakis argues that the traditional aspects of capitalism – labour, markets, and profit – will continue to exist, but no longer defining the political economy of capitalism as they once did. The rise of platform capitalism suggests, in the eyes of Varoufakis, that we have truly entered the ‘age of technofeudalism’.

The resulting politics is distinctive. Modifying the famous exhortation by Marx and Engels, Varoufakis calls for: **‘**cloud serfs, cloud proles and cloud vassals of the world, unite! We have nothing to lose but our mind-chains’ (p. 185). Because individuals – as cloud serfs – are becoming increasingly vulnerable to manipulation and exploitation by powerful online forces, they are losing control of their minds. These dehumanising effects of technofeudalism create the need for resistance and struggles for emancipation. Varoufakis suggests that it is only through unity and collective action that society can break free from the constraints of technofeudalism.

By pointing out the potential dangers of relying on computerised financial systems, Varoufakis also underscores the need for greater oversight, and regulation in the financial sector and addresses the systemic flaws and inequalities perpetuated by neoliberalism and technological advancements in finance. This is a reminder of the unpredictable character of technological innovation and the need for thoughtful reflection on its implications.

In these ways, Varoufakis – rather skilfully and compellingly – offers a narrative that encourages readers to recognise how capitalism has devoured itself. He refrains from unveiling high-tech and expert-style insights. Instead, he simply posits the rise of technofeudalism and probes what it means for the political economy, while engaging with readers through critical discussion of contemporary power dynamics. The resulting book is an exquisite contribution, despite its lack of empirical evidence throughout. It is a book of thoughts and arguments, not a book of empirical detail. Does it 'work'? Each reader will make their own judgement, and some are likely to be unconvinced that the tech giants' spectacular profits and their power to manipulate consumers through the widespread us algorithms denotes the demise of capitalism. However, as reviewers of this book, we were impressed by the book's challenging new political economic perspective on capitalism and technofeudalism and think it deserves to be widely read and discussed.

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Michael Rawling and Joellen Riley Munton

Regulating Gig Work: Decent Labour Standards in a World of On-Demand Work

Routledge, London, 2024, 134pp., $213, hardcover.

Reviewed by Brett Heino

A confession to start – I hate 'gig work.' I have always regarded it as the realisation of capital's deepest desire – a recasting of working-class jobs into the ideological and juridical forms of the petty bourgeoisie, forms in which profound exploitation is congenital. In my heart of hearts, I wish we could simply crush the gig economy and so sweep away the issues it seems to unavoidably bring in its wake. Anyone holding dogmatically to this view would probably find Michael Rawling and Joellen Riley Munton's *Regulating Gig Work: Decent Labour Standards in a World of On-Demand Work* disappointing. However, desire or not, it doesn't appear that the gig economy is going anywhere (particularly in the face of generally high level of public support), so the immediate task is to devise means by which the rampant exploitation of gig workers can be curbed. Seen through that prism, *Regulating Gig Work* is a valuable contribution at a critical juncture.

Rawling and Riley Munton set out in Chapter 1 by exploring the context and history of gig work. In a useful reminder to those who would paint this on-demand work as some historically unprecedented novelty, they point out that forms of such work have been around for centuries, if not millenia. The actual qualitative innovation of modern gig work is 'the technology that connects the master and servant (now more often termed the 'client' and 'service provider'), and permits invisible, cashless payment for their transactions' (p. 1). Although there are a myriad of platforms enabling gig work, they revolve around a core of common features, namely digitally-mediated payment by task (that is, a piece rate); a requirement of workers to provide their own equipment; and, perhaps most importantly for the purposes of the book, a particular form of contract that explicitly disavows any relationship of employment between the platform and the worker. The latter sets in motion a legal game whereby platforms, denying an employer/employee relationship, attempt to escape the basket of rights and protections that crystallised around the notion of 'employment' in developed nations in the twentieth century. Given this strategy, and the rampant exploitation that accompanies it, Rawling and Riley Munton ask the question that serves as the golden thread that runs throughout the whole book: 'how might contemporary western societies develop appropriate forms of regulation for the on-demand economy facilitated by new digital technology?' (p. 12).

To answer this question requires, first, understanding the various scales of regulation active in this space, a task Rawling and Riley Munton tackle in Chapter 2. Beginning at the global level, they note that the key institution, the International Labour Organization, does not currently have any 'instrument particularly focused on platform work' (p. 17). True, it has produced a 2021 flagship report on platform work; and a number of extant ILO conventions may apply to gig workers. However, due to the ILO's tripartite nature, its standards are often extremely broad, and, in any event, depend upon domestic ratification by member states in order to have legal effect. As such, Rawling and Riley Munton look more to the nation state as the principal pivot point of gig work regulation (particularly since much gig work is performed within national boundaries). The recent record on this front is variegated and piecemeal. Perhaps the predominant approach has been misclassification litigation, whereby gig workers are, despite the efforts of platforms to portray them as contractors, instead classified as employees for the purpose of labour law regulation. More thoroughgoing policies are in the works, however, of which the European Union's Directive on Platform Work is the most ambitious example. Of particular significance for Rawling and Riley Munton is the case of Uber drivers in the United Kingdom, who, though denied the status of employees proper, are nevertheless regarded as dependent 'workers' (a broader category) and thus entitled to a range of protections around minimum wages, holiday pay, regulation of work hours and protection against unlawful discrimination.

Chapters 3, 4 and 5 provide the nuts and bolts of Rawling and Riley Munton's substantive regulatory scheme. Chapter 3 considers a variety of means by which regulation can be extended to workers outside the employment relationship as strictly construed. Following this fairly technical discussion, they move in Chapter 4 to consider in greater detail the substantive standards which all gig workers are entitled to enjoy, regardless of their work status. The central standards explored relate to 'rates of remuneration that sustains a decent living, as well as safe working conditions, and insurance against the risk of workplace injury' (p. 53). This is crucial, given the evidence they marshal to demonstrate the structural vulnerability of gig workers to low pay and poor workplace safety. After discussing the current piecemeal and inadequate regulatory standards, they look hopefully toward the then-planned Albanese Labor government's reforms of the *Fair Work Act* to allow the Fair Work Commission to regulate 'employee-like' forms of work. As it pans out, the government did deliver the *Fair Work (Closing Loopholes) Bill*, which provides the Commission with the powers to make 'minimum standards orders' that can include terms relating to payment, working time, record-keeping and insurance. Chapter 5 rounds out the substantive analysis by discussing procedural rights to which gig workers should be entitled, namely rights around freedom of association, job security and dispute resolution.

Chapters 6 and 7 are, on my reading, the book's most interesting sections, as the authors turn their attention to some of the broader issues pressing on the viability of the reforms they suggest. Chapter 6 is a fascinating exploration of the utility of excluding digital labour platforms from jurisdiction (with the focus being almost exclusively on Uber). They show the crux of the issue when they state that: '[u]ltimately the use of bans is illustrative of, and instructive about, relations between the state and capital, largely indicating the continued supremacy of capital in many jurisdictions' (p. 79). Whilst they give many reasons as to why bans, as a form of impediment on the free flow of capital, are viable and more a matter of political will than capacity, the chapter generally provides a picture that is more-or-less consistent with the classic base/superstructure model. In the face of regulatory exclusion, platforms like Uber have employed a variety of methods, up to and including outright illegality, to circumvent the bans. Indeed, using the literature around 'regulatory entrepreneurship', they demonstrate how, for digital labour platforms, 'changing the law is not a side project but a significant part of the business plan because changed laws are necessary for the business's growth or even its legality' (p. 91). Calculated illegality, the mobilisation of consumer goodwill (often through discounting of services) and, above all, huge sums of money dedicated to politically lobbying have generally resulted in the sought-after legal changes.

Because of this, Rawling and Riley Munton's Chapter 7, the last substantive chapter, explores other organisational forms that could enhance worker control and ownership of digital labour platforms. This chapter goes beyond the calls for reform within a framework dominated by privately-owned platforms to consider ways of changing the underlying political economy of the sector. Using various contemporaneous examples, the chapter discusses the opportunities and challenges posed by traditional worker cooperatives, before considering an innovative alternative model known as a 'worker ownership trust'. This latter functions as a form of worker ownership whereby shares in a business are held by a trustee whose beneficiaries are current employees of the business. This allows them to participate in the ownership (and hence profit-sharing) of the firm whilst still permitting expert management of the company.

Regulating Gig Work is an important text that is best appreciated as what it is – a timely, concise and accessible intervention into the possibilities of gig work reform at a time when the political conditions for such reform are propitious. With my Marxist state theory hat on, I sometimes found myself questioning the lack of a conceptual approach to the state, wondering how the state will be forced into regulating the digital labour platforms that have seemingly been so successful at corrupting it to their goals. However, this is to expect from the authors a task they have not set themselves. This is a policy-oriented book that, in my view, would be a valuable resource to any reformer (governmental or otherwise) looking to identify the broad trends of legal efforts to regulate the sector and the most promising tools to that end. The receptivity of the Albanese government to more robustly regulate the sector, together with the authors' high standing in the policy community, enhance the prospects of the book contributing to this legislative reform. Given the ever-increasing importance of digital labour platforms to the structure of modern capitalism and the modern working class, *Regulating Gig Work* is crucial reading.

ECONOMIC NOTES

THE FEDERAL GOVERNMENT'S BUDGET: IMPORTANT PROGRESS, MISSED OPPORTUNITIES

Greg Jericho, Lisa Heap, Charlie Joyce, Fiona Macdonald and Jim Stanford

This briefing paper reviews the main features of the Commonwealth Budget for 2024-25 from the perspective of workers, the labour market and equity. After initial consideration of its broad macroeconomic and fiscal aspects, attention turns to the prospects for wage growth, the impact on households, the Future Made in Australia strategy, higher education, care work, gender equity, income security and anti-poverty provisions.

Macroeconomic and fiscal outcomes

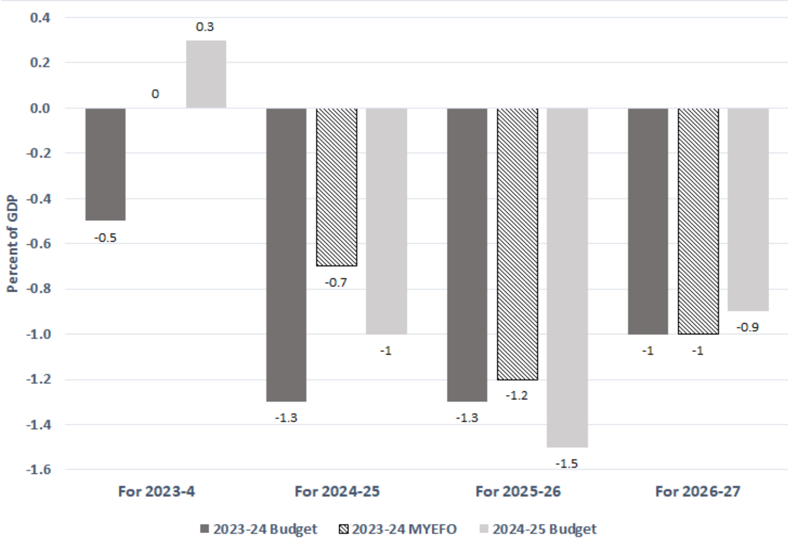
As has become common practice, the headline-grabbing news of another budget surplus (for 2023-24) was revealed before Budget Day. But while that $9.3 billion surplus is politically convenient, it means little in macroeconomic terms. The budget forecasts a return to deficits in future years, also macroeconomically trivial. Total spending in the current financial year is expected to increase to 26.4% of GDP – the highest since 2021-22. Spending over the next 4 years is expected to plateau and then decline slightly to 26% of GDP. Although this might seem high by

Jericho, G., L. Heap, C. Joyce,
F. Macdonald and J. Stanford (2024)
'Commonwealth Budget 2024-25:
Important Progress, Missed Opportunities'
Journal of Australian Political Economy
No. 93, pp. 135-51.

historical standards, it includes the ongoing cost of the NDIS – which by 2027-28 will cost nearly 2% of GDP. Total revenue is also expected to rise slightly to 25.8% of GDP from 25.3% in the current financial year. This would be the highest level of revenue raised since 2000-01. We reject conservative arguments that modestly higher revenue and spending somehow reflects a 'failure' of budget management. Australia remains a very low-taxing nation, with our level of revenue well below average among the entire OECD, and government spending is inadequate to address critical social and environmental needs.

While this budget did report more revenue than was expected in either last year's budget or in the December Mid-Year Economic and Fiscal Outlook, there is no great change in budget balances predicted for future years. Most of the increased revenue expected from higher iron ore, coal and gas prices has been offset by increased spending on the energy rebate and defence. Forecast deficits of around 1% of GDP are small relative both to other countries, and to the pace of nominal GDP growth. The accumulated debt will continue to decline as a share of GDP.

Figure 1: The evolution of predicted budget balances (%GDP)



Source: Budget papers.

The revenue figures highlight the lost opportunity from not implementing a windfall tax on the elevated profits of gas and mining companies (as has occurred in several other industrial countries). Indeed, the changes to the Petroleum Resource Rent Tax that were first announced in last year's budget have failed to deliver any greater returns. Those changes were mostly designed to merely shift tax collection from later years to an earlier period, rather than increase overall taxation. However, the latest figures show they fail to even achieve that aim. Over the three years from 2024-25 to 2026-27 the PRRT is now estimated to raise just $6.55 billion in total (compared to an estimated $8.05 billion projected in last year's budget). So poor is the PRRT currently structured that despite having experienced huge profits and production growth, the gas industry is expected this year to pay just $1.15 billion in PRRT – less, for example, than will be raised by the luxury car tax.

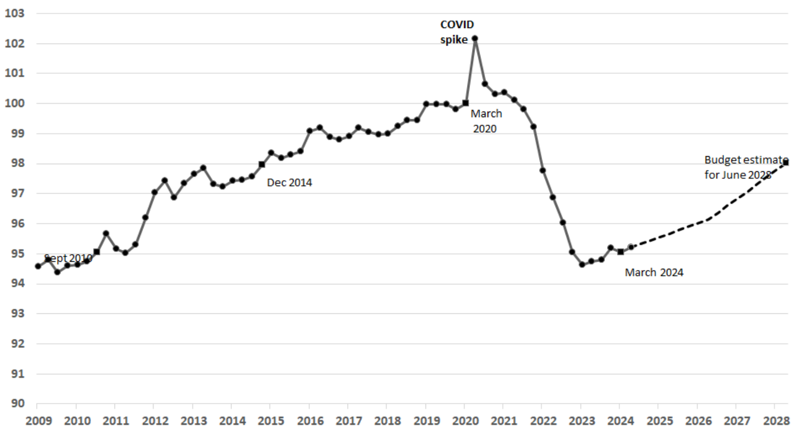
Wage growth: a long way to go

After more than a decade of cruelly laughable budget predictions for wage growth, we are now finally seeing budget predictions of higher wages come to fruition. This budget, however, lowered its prediction of future wage growth compared to forecasts in December's MYEFO. This matches lower forecasts for inflation, and so has little implications for the trajectory of real wages – which remain badly damaged after the inflation of the past three years (see Figure 2).

The new budget predicts annual average wage growth to decelerate modestly from the current 4.2% to 4% by June, and then to keep slowing to 3.25% by June next year. While this would normally be concerning, given the simultaneous reduction in inflation, the government still predicts that real wages will grow over the next 4 years. The bad news is that even with this steady run of real wage increases, the decline in real wages over the past three years has been so great that workers will still be some 4% worse off in real terms by 2027-28 than they were in the middle of 2020. So deep has been the fall of real wages, that even with these predicted increases in real wages the budget predicts that by 2028 average real wages will still be equivalent to those that prevailed at end-2014. In essence, workers will have experienced a 14-year stagnation of living standards.

These figures highlight the absurdity of business groups expressing fear of a wage breakout fuelling continued inflation. The three years of profit-led inflation that followed the pandemic have deeply damaged workers' living standards. It is essential that the long road to recovery in real wages is both predicted and welcomed by this budget. Parallel changes in labour policies and industrial laws (such as higher national minimum wages, and successive reforms to the *Fair Work Act*) are also critical to support that recuperation of real wages.

Figure 2: Index of real wages, March 2020 = 100



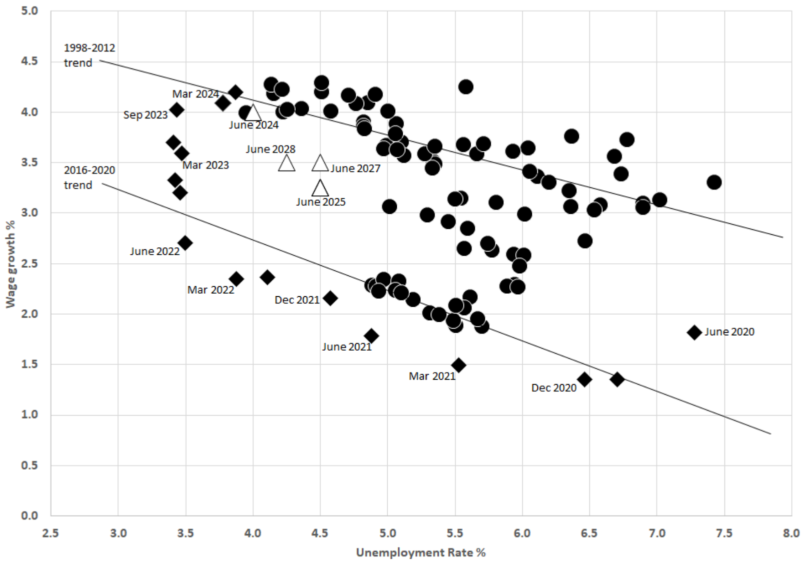
Source: ABS; 2024/25 Budget Papers.

One concerning point is that the budget predicts unemployment will rise to 4.5%. This would mean around 100,000 more people unemployed than at present, the result of a deliberate strategy by the RBA to increase unemployment to bring down inflation.[1] Given the failure to increase Jobseeker benefits (discussed below), this essentially sentences those workers to a period of poverty. The budget also suggests that while real wages will gradually recover, the rate of nominal wage growth still shows structural weakness relative to the unemployment rate. Wage growth falls from its current level (which is consistent with the observed long-term

[1] Perhaps it is just a painful coincidence that the budget's forecast of 4.5% unemployment matches RBA Governor Michelle Bullock's expressed view of how high she believes unemployment needs to rise: see Pandey (2023).

'Phillips Curve' relationship) back towards the restrained pace of growth observed during 2016-2020, when wage growth was historically weak (see Figure 3). This further disproves business fears of an imminent wage-price spiral: in fact, wages remain structurally weak, especially in light of the depressed level of real wages.

Figure 3: Unemployment and wage growth, 1998-2028



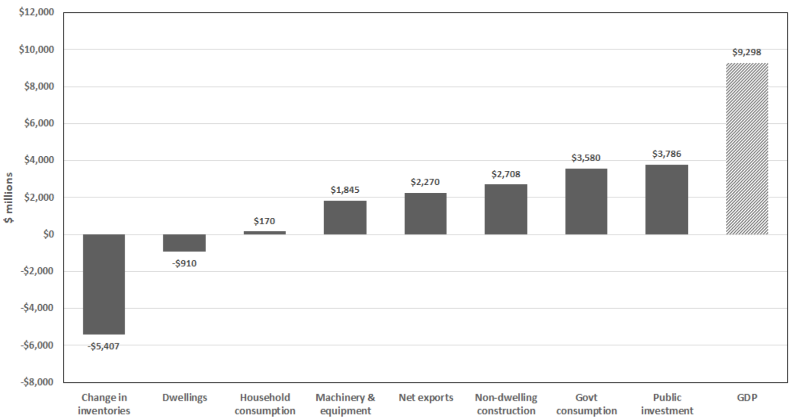
Source: ABS; 2024/25 Budget Papers.

Note: Diamond = since pandemic; triangle = 2024/25 Budget estimates.

Impacts on households

In the immediate aftermath of the pandemic, the economy overwhelmingly relied on household spending to lead the recovery. This, however, was not sustainable while real wages were falling (mostly due to inflation resulting from corporate price hikes) and the Reserve Bank was raising interest rates. This past year has seen the full impact on households of falling real wages and rising interest rates. The government now forecasts household consumption growth of just 0.25% in the 12 months to June this year. This is in line with the paltry contribution of household consumption to GDP growth through 2023 (as illustrated in Figure 4).

Figure 4: Sources of real economic growth in 2023



Source: ABS 5206.0.

This weakness confirms our views of last year's budget, when we argued that the massive stimulus measures that kept the economy afloat during the pandemic temporarily hid the underlying disaster of falling real wages. With the end of the stimulus, the true economic stresses facing households are revealed. With household purchasing power having fallen to levels not seen for a decade, it is little wonder that consumers have largely shut their wallets. The latest retail figures show this weakness has continued into this year, with real spending in the shops falling in the March quarter. This fall, and ongoing weakness in the overall economy, should serve as a warning to the Reserve Bank not to raise interest rates, and to start cutting them quickly. It also confirms that Australia's macroeconomy needs the new spending announced in this budget.

Future Made in Australia

The Future Made in Australia strategy was a major theme of this budget and will be a centrepiece of the government's pitch for the next federal election. The government hopes to seize the opportunities of the global transition to renewable energy to revitalise Australian manufacturing.

The budget commits to legislating a *Future Made in Australia Act*, directed at implementing and coordinating measures to support new clean manufacturing industries. Underpinning it will be a 'National Interest Framework' to prioritise industries for investment under two streams:

1. sectors where Australia has an opportunity to make significant contributions to achieving net zero emissions globally and in Australia, and
2. sectors that are critical to retain onshore for national security and supply chain resilience.

The Framework will also apply 'Community Benefit Principles' to significant investments in priority industries, focused on boosting investment in local communities, supply chains, and skills, and in promoting a diverse workforce with secure jobs. It is important that any substantial industrial support provided to private firms has clear strings attached to promote the public interest, including the maintenance of strong labour standards and fair pay in these industries.

The budget announced $22.7 billion to be spent over ten years on supporting Future Made in Australia 'priority industries'. Initially this includes renewable hydrogen, green metals, renewable energy technology componentry, critical minerals refining and processing, solar energy and battery equipment making, and low carbon liquid fuels. The most expensive measures are two new production tax credits for critical minerals processing and renewable hydrogen projects, to incentivise investment in these areas, both available from 2027. The budget estimates these measures will amount to $13.7 billion by 2034-35 (though both appear uncapped), and the credits become operational in 2027. This production tax credit structure mimics the approach taken in the US and other countries to stimulate rapid growth in targeted sectors – although the scale of funding in Australia's version (relative to GDP) is smaller than in other leading countries.

Additionally, the budget announces new funding for the Australian Renewable Energy Agency (ARENA) through several initiatives, namely:

- $1.7 billion over ten years for a Future Made in Australia Innovation Fund, to drive commercialisation and deployment of technologies in priority industries
- $835.6 million over ten years for the Solar Sunshot program to expand Australian solar manufacturing
- $549 million over eight years for a Battery Breakthrough initiative to promote the development of battery manufacturing capabilities
- $1.5 billion over seven years to support ARENA's ongoing investment in renewable energy technology.

The budget also announces many other measures that fall under the Future Made in Australia umbrella, including an additional $1.3 billion over ten years for the Hydrogen Headstart program, $32.3m to expand the Guarantee of Origin Scheme to measure and certify emissions intensity of products in green metals and low-carbon liquid fuels, and $18.1 million over six years to support the emergence of an Australian green metals industry.

Critically, the budget earmarks $91.1 million for supporting expansion of the clean energy workforce, including $30 million for VET teachers, $50 million for facility upgrades to enable clean energy training, and expanded eligibility for the New Energy Apprentices Program. These measures will be very important in ensuring a supply of well-trained workers to staff the renewable energy and manufacturing projects envisioned by the strategy.

Overall, these initiatives are promising, but lack the scale that would be required to truly put Australia in the running to become a "renewable energy superpower". The strategy is touted as Australia's response to the dramatic turn towards active state promotion of domestic manufacturing in other jurisdictions – particularly in China, the United States, the European Union, Japan, and Korea. But Australia's commitments are small in both real and proportional terms, when compared with similar international initiatives.

Our past research has indicated that a proportionate Australian response to the US *Inflation Reduction Act* would entail between $83 and $127 billion in spending over the next decade on renewable manufacturing initiatives:

substantially more than the $22.7 billion announced in this budget (Joyce and Stanford 2023). The Future Made in Australia plan will not succeed in seizing the full opportunities available to Australia in the global energy transition if it is not expanded in both scale and scope. Other key industries beyond those highlighted in the budget also need to receive targeted support and incentives – including wind energy manufacturing, electric vehicles production, and modern transmission and distribution equipment (required as the electricity system expands to include both dispersed renewable generation sources and new demand from electrification). Other features required for a full-fledged domestic manufacturing strategy would include more support for Australian research (including through regionally focused research and industry clusters), expanded training and skills investments (focused on TAFEs), and active strategies to use public procurement to leverage demand for Australian-made products and services. Attaching strong conditions to projects benefiting from public support (including labour standards and prevailing wages, respect for Indigenous title, and environmental standards) will also enhance the strategy's overall benefits. Finally, the integrity and effectiveness of the whole plan as a means of accelerating decarbonisation, and positioning Australia to prosper in a net-zero global economy, demands a consistent commitment to phasing out fossil fuel use at home and abroad, promoted across all areas of government policy.

Higher education: initial progress, but more needed

The long-awaited Australian Universities Accord report was released in February 2024, and this budget implements several of its key recommendations. As announced in the leadup to the budget, the HECS debts of approximately 3 million university and TAFE graduates will be reduced by a new inflation indexing formula. The government will replace the current indexing model, tied to the Consumer Price Index (CPI), with a new formula based on the lower of the CPI and the Wage Price Index (WPI). The existing indexation of HECS debts produced a 7.1% increase in all debts in July 2023, even while wages only increased by an average of 3.5%. This meant the debts of most employed graduates are rising faster than they are being paid off (Jericho 2024).

This change to the indexation of HECS is touted as a form of 'cost of living relief' by the government, to help remove financial barriers to education and training. However, this reform does not adequately address the financial burdens of students and graduates. Current students are negatively impacted by cost-of-living pressures including the price of housing, reduced real wages, and the ongoing low levels of Youth Allowance. This causes drop-out rates to rise significantly, and the HECS reform will not alter that. A bigger rethink in the higher education system, ultimately including the removal of tuition fees, is required to fully restore the public service function of universities (Littleton 2022).

The budget also announced a new system of paid placements in some fields of study, tackling the problem of 'placement poverty'. There are several female-dominated occupations (including teaching, nursing, and social work) that require students to undertake extensive unpaid practical placements as a condition of study. The number of placement hours required can be as high as 1,000 hours across a course of study. The initiative will provide eligible student teachers, nurses, midwives and social workers with a payment of $319.50 per week whilst on compulsory practical placements. The payments will start in July 2025, benchmarked to the single Austudy weekly rate, and will not affect other support payments a student receives. The program is, however, means tested.

A previous taskforce recommended students be paid for their mandatory placements. A similar payment was also recommended in the Universities Accord. The new policy only partially addresses these recommendations. The payment is set at a rate (equivalent to as little as $8 per hour) that fails to address the costs incurred by placement students (such as travel and parking fees, equipment and uniform costs, and the lost income associated with taking time away from part-time paid work). Furthermore, the new program does not cover other areas of study where practical placements are compulsory – such as allied health professions. So, while this measure is a welcome step toward recognition of the work contributed by placement students and their legitimate right to compensation, the issue of 'placement poverty' has not been solved.

Tertiary education is no longer a privilege, but essential to the employment prospects of most Australians. Today, 69% of Australians aged 15-74 hold a tertiary qualification or are studying towards one (including vocational qualifications), up from 62% in 2013. The importance and necessity of tertiary education in Australia is thus set to grow. The Australian government's employment white paper *Working Future* projects that nine out of ten new jobs created over the next decade will require tertiary education. During the budget speech, the Treasurer announced the Australian government's commitment to a goal of 80% tertiary education attainment for all working age Australians by 2050. Towards this end, the budget announced $350.3 million over four years to expand access to university-enabling and preparation programs through a new Fee-Free Uni Ready Courses program.

In sum, the measures in this budget are a welcome initial instalment on reforms needed to repair Australia's higher education system and allow more students to attain the higher education vital to their subsequent employment. Much remains to be done, however, in ensuring that the tertiary education system is accessible and fair for students and graduates, and that the goals of the Universities Accord are fully attained.

Wage fairness in care work

The budget announced a commitment to improving wages for workers (mostly women) in two important care sectors of the economy: early child education and care (ECEC) and aged care. These fiscal supports will complement other actions being taken through the industrial relations system to improve wages and job quality in these growing essential services.

A recent taskforce called on the federal government to support applications before the Fair Work Commission to raise wages and improve job quality for ECEC workers. In the budget, the government has now committed to provide 'funding towards' a wage increase for this sector. This language is positive but vague, falling short of a commitment to fully fund the wage increases for ECEC workers that are the likely outcome of the FWC's process.

The situation in relation to attraction and retention of ECEC workers has been described as a crisis. There are many structural issues that contribute to a shortage of staff in ECEC. Evidence demonstrates that a major factor contributing to these shortages is the relatively low pay and unattractive working conditions offered.

The current Productivity Commission inquiry into ECEC (scheduled to issue its final report soon) is likely to recommend substantial reform in this sector, including related to wages and recognition of these workers and their work. There are also several opportunities for review of wages in ECEC ongoing within the FWC. These include:

- recent legislative reforms facilitating multi-employer bargaining
- the FWC's review of occupations and industries with severe gender pay inequality and potential undervaluation of work
- changes to the FWA regarding equal remuneration orders.

An application to the FWC by the United Workers Union, the Australian Education Union and the Independent Education Union, under the new supported bargaining provisions of the *Fair Work Act*, calls for wage increases of up to 25%. The application covers 64 employers and 12,000 ECEC workers. The FWC has authorised this supported bargaining citing several reasons – including the sector's low rates of pay (at or close to the award minima). The federal government (as a key funder of ECEC services) is participating in these negotiations. While indicating it is prepared to support higher wages for ECEC workers, the government should more clearly commit that it will fully fund the wage increases that arise from these processes at the FWC.

Meanwhile, the FWC has already awarded historic wage gains for workers in the aged care system (Macdonald 2024), and the budget also committed fiscal support for those costs. The timeline for the implementation of the wage increases has not yet been set by the FWC. However, the government made a submission to the FWC arguing for staged implementation of increases. In the budget the Government has indicated it strongly supports the decision of the FWC to further increase the award wages for aged care workers, and has committed to funding this increase once the final decision on timing is delivered. No further details are included in the budget. The commitment to fund the aged care wage increases appears stronger than that given to ECEC workers. The budget also committed to spend $88.4 million on attraction and retention initiatives for the aged care workforce, including better staffing solutions.

There will likely be more applications in coming years to increase wages for workers in undervalued female-dominated areas of work, particularly in the care economy. The federal government's *Draft National Strategy for the Care and Support Economy* (PMC 2023) acknowledged the need for these changes, stating:

> The undervaluation and underpayment of care and support workforces is a pervasive issue influenced by the historical context of care and support begin provided, unpaid, by women from within the home.

Funding wage increases to address the historical undervaluation of work in the care economy, and improve the quality of both care and the jobs that deliver care, must be a central priority for federal fiscal and social policy.

Other measures to promote gender equality

The preceding measures to support higher wages and better jobs for workers in care sectors will have an important impact on reducing gender inequality, given their female-dominated workforce and the historic undervaluation of their work. The 2024-25 budget contains some other initiatives designed to attend to gender-based structural inequality for women. However, several important initiatives have been overlooked, and some of the initiatives that have been introduced are underfunded.

The budget continues to implement policies recommended by the Women's Economic Equality Taskforce, established in September 2022. The Taskforce's 10-year plan (Women's Economics Equality Taskforce 2023) included six priority areas for action to 'unleash the full capacity and contribution of women to the Australian economy'. In last year's budget the government implemented some of those recommendations, including: the extension of the Parenting Payment for single parents until their youngest child turns 14, axing the ParentsNext mutual obligations system, a commitment to fund the initial work-value wage increase for aged care workers (recently awarded by the Fair Work Commission), an increase in Commonwealth Rent Assistance, and extending paid parental leave (Jericho *et al.* 2023).

This year's budget continues to implement further recommendations from the Taskforce's plan, including supporting wage improvements in care work sectors (discussed above). Other initiatives include:

- *Payment of superannuation on paid parental leave (PPL) and extension of PPL:* In March 2024 the government announced it would begin paying 12% superannuation contributions on government-funded PPL benefits. Although details are still to be legislated, this contribution to super will apply to babies born or adopted on or after 1 July 2025. The Government has also extended the number of weeks of PPL. From 1 July 2024, an extra two weeks of leave will be paid (22 weeks total). This will increase again to 24 weeks from July 2025 and 26 weeks from July 2026.

- *Increasing women's participation in male-dominated occupations and industries:* As part of its Future Made in Australia initiative (discussed above), the budget commits $55.6 million over four years to a Building Women's Careers program. The program aims to boost women's participation in construction, clean energy and advanced manufacturing, and technology and digital sectors. The government is also investing $38.2 million over eight years to support women in STEM initiatives. Funding for initiatives such as this are welcome. However, allocated funds are unlikely to be sufficient to address the scale of women's underrepresentation in these jobs.

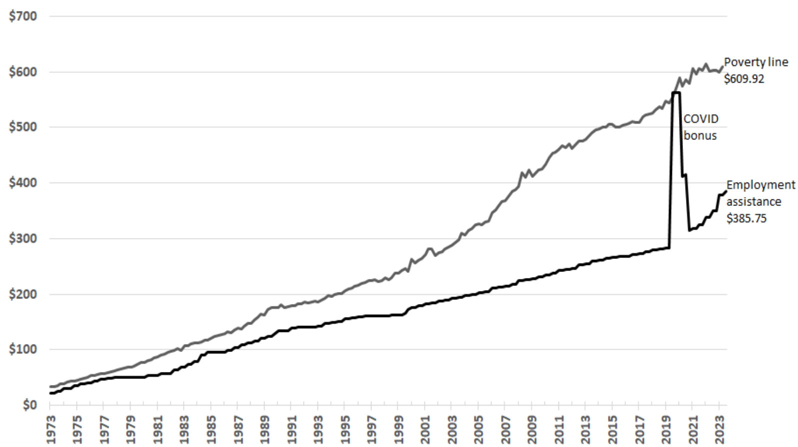
In contrast to these positive steps forward, the budget missed an opportunity to implement another of the Taskforce's recommendations: abolition of the parental activity test for childcare support. This activity test links the level of childcare subsidy to the level of a parent's participation in approved activities – particularly work. The more 'activity', the greater the subsidy. But the policy has a perverse and opposite effect on parents who have fewer work hours, or whose employment fluctuates (such as casual workers). These parents may forego work for fear that they will receive higher benefits, and then be required to pay back 'overpayments'. Moreover, the activity test excludes children from families who could benefit most from ECEC, and acts as a disincentive to women's increased employment participation.

The removal of the activity test was a key recommendation of the Women's Economic Equality Taskforce. Moreover, the Economic Inclusion Advisory Committee (EIAC), established in 2022 to provide independent advice to government on economic inclusion and tackling disadvantage, also recommended the abolition of the test. The Productivity Commission's interim report on early childhood education (ECEC), released in December 2023, also recommended the activity test should be relaxed. There is ample evidence that the activity test has perverse and unfair impacts, disproportionately experienced by low-income parents. Removing it should now be at the top of the government's gender equality agenda.

Income security and anti-poverty measures

The government also missed an opportunity to take overdue action to improve living standards for unemployed Australians through an increase in woefully inadequate JobSeeker benefits. The government's own Economic Inclusion Advisory Committee recommended Jobseeker be raised to 90% of the Age Pension (an increase of around $116 a week). Instead, the government provided only a targeted increase for those unemployed Australians unable to work more than 14 hours a week (for disability or other reasons). The overall Jobseeker rate remains 37% below the poverty line (Figure 5).

Figure 5: Jobseeker remains $225 below the poverty line



Source: Melbourne Institute; Guides to Social Policy Law: Social Security.

The pandemic experience (when poverty was deeply reduced, thanks to emergency Covid benefit payments) proved that poverty could be eliminated, if government made it a policy priority. Incremental improvements in Jobseeker implemented by the current government are insufficient to address hardship faced by people without work. The RBA is deliberately creating higher unemployment as part of its one-sided strategy for controlling inflation, in essence holding hundreds of thousands of Australians as macroeconomic hostages. The least they can expect is decent treatment while suffering from RBA-engineered unemployment.

In a more welcome move, the budget has significantly increased funding for frontline homelessness services (and workers supporting these critical services). This includes a new 5-year national housing and homelessness services agreement with the states, accompanied by extra fiscal support for equal pay for community services workers. The budget also commits $1 billion toward crisis and transitional accommodation for women and children leaving domestic violence. A broader package of supports for social housing initiatives aims to increase social housing stocks by 55,000 units by 2029. This is a step in the right direction, but a small one.

Conclusion

Treasurer Jim Chalmers has clearly been influenced by concerns in the financial and business communities that his budget would fuel inflation with extra spending, and thus prolong high interest rates. His budget provides targeted and modest spending support for an economy battered by those high rates, and some of its measures will directly reduce inflation (such as the energy rebate and expanded rent assistance). Other measures, including the reworked Stage 3 tax cuts and support for higher wages in care sectors, will help working Australians deal with higher prices.

After all, there are two sides to any cost-of-living challenge: how much things cost, and how much money you have to spend on them. Conservatives want to focus only on reducing prices (and the budget does some of this). But we also must support workers' incomes to keep up with prices. The measures to that end in this budget are welcome, but partial – and the budget's own forecasts confirm there are many years ahead before workers' real incomes will regain their pre-pandemic levels. In this regard, the budget could have done more.

As the Albanese government heads towards the next election, it will no doubt boast of having kept the budget in good shape, delivering two consecutive surpluses. But delivering surpluses, of course, should not be the aim of a progressive government. The government's reforms to the Stage 3 tax cuts have been widely praised – and will be even more popular when they come into effect in July. Threats from conservative commentators that electors would not forgive the 'broken promise' on these tax cuts have proven hollow. This experience demonstrates that the government has both fiscal and political space to make better choices – and budgets are all about choices.

In the time left before the next election, this government has an opportunity to demonstrate more ambition, beyond the initial progress in this budget. It needs to do more to tackle the major structural issues facing Australians: including low wages, falling living standards, poverty and inequality, gender income gaps, and achieving net-zero emissions.

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This is an edited version of a longer report prepared in May 2024.

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OPEN LETTER

OPEN LETTER SUPPORTING A FUTURE MADE IN AUSTRALIA

We are economists, political economists and policy specialists in related fields, writing to express our support for active measures to strengthen Australia's manufacturing capabilities and guide investment in critical infrastructure, as proposed by the Commonwealth government's *Future Made in Australia*.

Australia faces an historic imperative to strengthen and modernise its capacity to develop and produce a full range of technology-intensive, sustainable, globally marketable manufactured products. Australia's strategic weakness in manufacturing has been evident for many years and has become especially pressing because of stresses and risks in global supply chains (associated with global health, geopolitical and climate crises). There is an overarching need to accelerate the global energy transition, requiring massive inputs of high-value manufactured products for the generation, storage, transmission and use of renewable energy, and for the electrification of industry, transport, and buildings. Meanwhile, mounting climate impacts in Australia and globally confirm the urgent need for more investment in climate-resilient infrastructure in energy, transport, and water systems.

Recognition of the strategic value of manufacturing and government's essential role in directing investment and innovation has sparked an historic turn in economic policy around the world. In most industrial countries, outdated 'comparative advantage' theories of trade – implying that countries should specialize only in products predetermined by natural resource endowments – have been abandoned. There is new recognition that competitiveness can be created and shaped by proactive policy interventions that push both private and public actors to do more than market forces alone could attain.

Open Letter Supporting A Future Made in Australia
Journal of Australian Political Economy
No. 93, pp. 153-6.

Historic policy shifts in the US (including the *Inflation Reduction Act* and the *CHIPS and Science Act*) are re-making national manufacturing there. Other countries (including the EU, Canada, Japan, and Korea) are implementing powerful measures to expand and modernise manufacturing, especially in sectors tied to the clean energy transformation. China's pro-active strategies, which have achieved global dominance in many supply chains related to the energy transformation, confirm the value of active policy in shaping sustainable manufacturing and infrastructure.

This historic redirection in policy has sparked predictable, knee-jerk responses from critics in Australia (such as the Productivity Commission), trying to defend outdated laissez-faire thinking. While these critics are re-hashing old debates about industry policy, other industrial countries are implementing the new vision of economic statecraft for a world that is changing rapidly. The focus of public debate should now be on how Australian workers and communities can benefit from this global transformation in energy, manufacturing, and infrastructure – and how powerful pro-active strategies can drive the process.

Australia faces a vital choice. Decades of policy neglect for manufacturing, combined with support (including subsidies) for mineral extraction and export, have left Australia with a distorted and unbalanced economy. Among all OECD countries, Australia has the smallest manufacturing base (relative to overall GDP and employment) and is most reliant on net imports of manufactures to meet its own growing needs for manufactured products. This exposes Australia to a wide range of economic, social, environmental and geopolitical risks. Meanwhile, powerful corporate interests keep pressing to extend and expand their 'extract and export' business model.

Australia's over-dependence on raw resource extraction and export undermines prospects for more sustainable, value-adding activities. It does so by diverting capital and labour resources; contributing to exchange rate overvaluation and instability; and distorting fiscal policy settings, regional balances and democratic processes.

If we continue on this path, Australia will miss an historic opportunity to rebuild a sophisticated, technology-intensive, and sustainable manufacturing capability – and participate fully in new global markets for clean energy and manufacturing. We would continue exporting raw minerals (including critical minerals like lithium) but we would squander opportunities to add value to those minerals and develop a more diversified and sustainable industrial mix. We would remain on the losing side of lop-sided trade relations: selling unprocessed resources to buy back more expensive value-added products (like transmission equipment, batteries, and electric vehicles). And our future prosperity would be jeopardised by failure to seize the economic and industrial opportunities of the global energy transition.

An alternative economic future for Australia can be created by rebuilding and modernizing sustainable manufacturing and infrastructure, linked to the energy and climate transition. This could create hundreds of thousands of well-paying industrial jobs, support regional economies, and contribute significantly to decarbonisation in Australia and globally.

For these reasons, we strongly support active strategies to modernise and strengthen Australia's manufacturing and renewable energy industries and infrastructure, with a particular focus on products related to the energy transformation. The *Future Made in Australia* proposals signal clear recognition of the strategic importance of manufacturing and open opportunities to develop and realise this mission. The recent Commonwealth budget makes a crucial down-payment on this strategy, with measures targeted at several key sectors, including renewable hydrogen, critical minerals processing, and battery and solar manufacturing.

Further steps towards a full national strategy should include place-based innovation clusters, massive investments in vocational and technical skills, support for other sustainable manufacturing activities (from green metals to wind power equipment to electric vehicles), the active use of public procurement to nurture domestic production, and other measures to support sustainability and a circular economy. This overarching effort to develop a sustainable manufacturing capability must operate in tandem with strong and consistent policies to reduce fossil fuel production, use and emissions over time. The strategy must also feature strong labour, environmental and social conditionalities to ensure that the revival of manufacturing strengthens workers' rights, Indigenous rights, women's participation and equality, and environmental protection. These conditionalities – in essence, 'sticks' to go along with 'carrots' – are essential to advance the public interest and ensure the benefits of a *Future Made in Australia* are broadly shared. Finally, the strategy should also reach offshore to support just and socially responsive decarbonisation and climate-resilient trajectories for our Pacific neighbours.

Using the full suite of policy levers available to government, a *Future Made in Australia* strategy could rebuild a strong, sustainable manufacturing sector, with spill-over benefits spread throughout the economy and society. We strongly support this important shift in emphasis and vision because we firmly believe that sustainable manufacturing must play a vital and strategic role in Australia's economy. We look forward to contributing to the further development, expansion, and implementation of this strategy.

This public letter was signed in May 2024 by 77 political economists and industry policy proponents in an attempt to counter knee-jerk criticisms that appeared in the media following the Federal Government's announcement of the Future Made in Australia initiative. For the full list of signatories, see: https://www.ppesydney.net/open-letter-on-future-made-in-australia/.

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