

How rentier capitalism is changing politics

By Alan Kohler, *The Australian*, 17 December 2019

Donald Trump and Boris Johnson have won support from working classes, as well as disaffected middle classes, while also hanging on to some of their rich base.

Shadow treasurer Jim Chalmers believes there are lessons in the UK election result for the Australian Labor Party. Oh yes, indeed there are, but if he thinks, as he apparently does, that it's a matter of populism versus policy, he should think again.

Jeremy Corbyn had plenty of policies, as did Bill Shorten in Australia earlier this year; they were just the wrong ones.

Obviously the main issue in the UK was and is Brexit, but there was a lot more to last week's election than that. In the most working-class seats, Labour's vote fell by 11 per cent and in the most middle-class seats it fell by 7 per cent.

The British Conservative Party has managed to become the party of the working classes, as well as disaffected middle classes, while hanging on to a large part of its rich urban base.

Donald Trump did something similar, and the Australian Coalition is in the process of doing it too, although they tried hard to mess it up at first.

The key to it is the failure of rentier capitalism, and the growing backlash against wealth inequality and unfairness around the world. In Australia it is especially sharp because of the crushing rise in house prices and the blazing corruption of banking that has gone with it.

The Coalition's early resistance to a banking royal commission stamped it as the party of the rent-seekers, but recently it is making a good fist of coming back from that mistake. Now Boris Johnson has provided a blueprint for going all the way and capturing the working-class vote.

Rentier capitalism means an economy where certain players are able to extract a "rent" from everybody else, that is more money than is required for the supply of goods or services, because they have an excess of economic and/or political power.

There are two key manifestations of it apart from the huge accumulations of wealth by the "1 per cent": the financialisation of society which has led to the ascendancy and arrogance of banks, and radical tax avoidance by both corporations and rich individuals.

Everybody at all levels of society is now heartily sick of it and the wealth inequality that has resulted, and that disenchantment is plain to all. But the mistake that both UK Labour and Australian Labor made – and, so far, the US Democrats – is in thinking the alternative to it is radical left-wing economic policies.

With the decline of unionism and the rise of the investing classes - especially in Australia with universal superannuation - the answer now is not socialism but better capitalism.

In the UK it's got mixed up with illegal immigration which produced the 2016 pro-Brexit referendum result and was partly responsible for the Conservative victory last week. In Australia this was made a non-issue by offshore processing and tough borders becoming bipartisan.

But the biggest political surprise of the 21st century has been the ability of right-wing politicians led by Donald Trump and Boris Johnson to exploit the growing revulsion towards the rentiers.

Trump might have messed it up with his tax cuts for the rich, but so far his coalition of the disaffected working class and anti-abortion Christians is holding, and he's now playing an interesting and delicate game in the so-called trade war against China – standing up to Beijing communists on behalf of the American workers but not being so tough that the economy and the stockmarket both tank.

His “Phase One” deal announced on Friday, by the way, is a masterpiece of form over substance and should allow him to string out the game for another 12 months. That's not to suggest there isn't a fundamental disengagement going on between America and China, it's just that Trump has turned it into political theatre.

In any case, that is insignificant compared to the failure of modern capitalism and the extraordinary failure of left-wing parties to take advantage of it.

People who work hard, often at great cost to family life, and who try to do the right thing and pay their taxes, are getting screwed by rentier capitalists capturing all the wealth, while pushing the prices of houses out of reach and burdening them with debt.

On top of that, wages are not growing, cash-strapped governments have allowed a terrible infrastructure deficit to develop so that getting around the city is a nightmare, and public services like aged care, mental health, child care and health care are getting squeezed and are obviously inadequate.

Little wonder people are mad as hell and aren't going to take it anymore, but instead of turning left, they are turning right - to conservative governments. It's because they don't actually want a revolution, just fairness.

The old battle between labour and capital that animated politics for more than a hundred years has long gone and the new one is beginning to take shape. It seems to be a sort of battle within capital, between the rentiers on one side and the aspirant capitalists on the other - between the 1 per cent who have captured half the wealth or more, and the rest, from whom they captured it.

The lesson of the UK election and the Australian one earlier this year seems to be that this battleground suits conservative parties over Labour (and Labor) because they understand that the losers simply want to start winning – they don't want to destroy the system.

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