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**Ground Rent and Class Struggle under
“Alternatives to Neoliberalism” Governments in South America**

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Across South America, the last commodities boom (2003-2014) led to an intensification of social conflicts over both the appropriation of the ground rent and control of the territories where the primary activities were developed. In a seeming contradiction, from one side governments supposedly opposed market in favour of the “people” and by the other side supported the spread of multinational companies in primary activities. This paper analyses the content of this alleged contradiction between “good” and “bad” policies showing the undivided unity of their development. The study of the role of ground rent will show that “Pink Tide” governments reproduce the historical specificity of this continent in the international division of labour. It will be shown that the characteristic of ground rent as a form of surplus value that does not reproduce either constant or variable capital is what allows the state to gain the appearance of increased autonomy. Far from this appearance, during the last cycle the different mechanisms how the state mediates in the appropriation of the ground rent is the way of reproducing foreign and local capital. The intensification of state violence and environmental destruction during the last commodity cycle result as capital takes advantage of differential ground rent conditions heightened by technologies that undermine the reproduction of human life. Far from a “primitive capital accumulation”, is the concrete form that historical capital conditions advances destroying petty capitalist production and attacking the living conditions of the working class.

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During last decade, there was in South America a rise of governments that present themselves as alternatives to neoliberalism in contrast with the 90s. This, called by some authors, “pink tide” has a lot of differences (from national populist to 21st Century socialism) but share some common characteristics: a rise in social expenditure per habitant, statization or more state control over key companies related to natural resources (PDVSA, YPF, Petrobras, for example), protectionism or subsidies to manufacturing industries, expansion of collective negotiation with unions that ended with a general rise in wages. This popular policies were combined by a general rise in the rate of profit of private companies both in real sector as financial and a reduction of foreign debt by cash payments.

Insert Chart 1 Rate of profit, social expenditure and wages

One of the question this paper try to answer is: How was it possible to combine some better conditions for the working class and an expansion of the rate of profit at the same time in different countries with different political traditions? And also we have to answer: How at the same time in all the region austerity and neoliberal policies are coming back at the same time. In some cases with a change in the government (Temer in Brazil, Macri in Argentina, Pinera in Chile and Lenin Moreno in Ecuador) or with the same government but executing also adjustment policies (Maduro in Venezuela)? The key of both question is the expansion and contraction of the ground rent in all the region that makes possible the combination of popular macro policies with attack to populations close to the primary production locations.

1. Ground Rent: The content of the alternatives of neoliberalism government's policies and its crisis

South America role in the international division of labour as an exporter of agrarian and mining commodities hasn't changed in all his history. The expansion of industry after the 30s of the alleged financierisation after the 70s were not a major shift as the source of dollars. Outside form external debt, the source continue to be primary exports. Even the external debt can be understood as an advance of revenues from primary exports as it is the only source to pay.

The production of primary commodities in capitalism has very important particularities in relation with other industries. As the conditions of production are not reproducible by the human labour, the differences that emerges of labour productivity can not be equalized by capital movement. The result is that an extraordinary profit rate arises in the land with better conditions. The called “differential ground rent” escapes from the hands of the capitalist of the sector because competition to access to this better land makes rise the price to lease the

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land (and by consequence it also rises the price of land). But the rent rises not only by differences in the productivity between lands. Also the differences between application of capital quotas in the same land, which Marx called differential rent II, and as in the owner of the worst land also receive a pay there is and absolute ground rent in the case that the economic activity operates below the average organic composition (the absolute ground rent) or the simple monopoly ground that exists as a result of the capacity of the landowner to put out of production his land (this happen more often in mining and oil than in agriculture).

Insert Graph 2. Profit rate of different economic branches with rent

This different forms of ground rent as an extraordinary profit are carried in the price of the commodities produced in those conditions. In consequence, the source of the extraordinary profit rate that constitutes the ground rent is the surplus value of the capital that consumes those commodities. It does not matter if its consumed in a direct way as inputs for other commodities or by the workers they contract because is capital that pay wages. For South America, the meaning of this is that the source of the major part of the ground is the surplus value of the countries that import the commodities they export. As Juan Inigo Carrera (2017 and 2018) have shown, this implies that unequal exchange theories fail to explain the relation between primary commodities exporters countries and the countries that import. The comparison between the rate of profit of economic branches with rent shown in graph 2 with the rate of profit of the manufacturing sector in the US is very clear in this sense about the difference in favour the primary sector. Hence, instead of direct extraction of wealth from the country where the primary commodities are produced to the capital from the country where the primary commodities the existence of ground rent implies a flow of surplus value in the opposite direction.

Insert Graph 3. Comparison of profit rate with the US Manufacturing sector =1

The discovery of a different direction of the flow of surplus value when the primary commodities production sector is involved that not implies that this extra profit remains nor in the economic sector neither in the country. The ground rent escapes from the mining or agrarian capitalists and should go to the landowner. But the landowner legal right to receive a pay for the use of his land implies for the capital a loss of surplus value in hands of social subject that owns something that is not the product of human labour. This extra profit goes not the reproduction of capital accumulation. As the land is not produced the landowner does not buy labour force or machines to have more surplus value each cycle, they have just to execute the private property of the land.

For capital, this means that a parasite consumes an amount that surplus value that do not return to the cycle of his valorisation. Hence, capital fights back to appropriate at least a portion of this surplus value by different mechanisms. I the case of South America the foreign capital that look to recover the lost surplus value need to do it buy having a relation with the

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state of the other country. In some cases it could be done by buying the lands, but this is not the general way in South America, where property of productive soil and subsoil is national or by the State in the case of mining and oil.

The more general ways of ground rent appropriation is the foreign debt with higher interest rate than worldwide average. The other general way is the establishment of multinational companies in those countries which instead of having the average technology and labour productivity to compete by exports to rest of the world they arrive to sell in the internal market thanks to subsidies and tariffs. This multinational get the average or even an extraordinary rate of profit using obsolete technology thanks from the transfers from the local states. The different states finance this transfer with specific taxes to the primary production economic branch or by directly owning the land as mentioned in mining and oil. Of course, not only foreign capital benefit from this ground appropriation but also local capital (the so called national bourgeoisie). One part of the ground rent appropriated have to stay to reproduce this capital expansion but as the internal market is the limit to expanded reproduction a major part flies away.

The cycles of capital valorisation in South America moves with the ground rent. When the primary commodities price rises, more ground rent flow and then the foreign and local capital expands with also an expansion of the labour demand and the state intervention. The wages never rises in an automatic form but by the fight of the workers. Those fights can result in better living conditions without affecting the rate of profit of capital because both are fueled by the ground rent.

The combination of state intervention, high rate of profit and rise of wages have a political expression in governments that present themselves as populist, national populist or even socialists. The image is that the economic growth is the result of the political alliance between local capitalists and working class and the gain of autonomy from Imperialism. Three big cycles of prosperity associated with the expansion of ground rent can be identified (1945 to 1952, 1973-74, 2006-11). When the cycle change, the wages have to go down and state intervention is reduced resulting in a capital concentration and centralization and adjustment policies with a change in the role of the State.

The alternance of good and bad cycles operates with a trend where the expansion is weaker than the contraction as the gap of the productivity that capital needs to compensate with ground rent is higher and higher. The result is lower wages and a consolidation of a surplus population of capital. Even with the big expansion of ground rent of the last (2005-2011) cycle the rise of wages in the region did not recover the level before the 70s and the 90s and the surplus population for capital remain at the same level even if they have better living conditions thanks to the expansion of social expenditure. If unions were the main working class institutions that negotiate with the state, in the last cycle social movements gain more importance as symptom of this tendency.

The strength of working class to gain in the class struggle better conditions for reproducing its labour value has changed when the commodity booms started its end. The adjustment policies and repression has not wait until the change of government and former popular

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governments change their face blaming the market and the Imperialism but executing policies opposite to the ones they supported during the previous years. This explains why these party governments lost elections (Argentina and Chile), were weak to resist a parliamentary coup (Brazil) or personify the change of policy by themselves in a hard way (Venezuela) or in a softer way (Uruguay and Bolivia). The new cycle is just beginning but with lower ground rent the main ways of sustaining capital accumulation are foreign indebtedness and an augmentation of the exploitation rate by lowering wages and reducing state spending in social policies. Which seems to be an ideological or model of accumulation change explained by the revenge of the “political right” or the lack of audacity of left governments is the expression of the specificity of South America has not changed: the same pattern that explains the rise of alternatives to neoliberalism is the cause of the return on neoliberalism.

2. Primary Productive Frontier Expansion and Capital in the last boom and bust ground rent cycle in South America

The link between the alternatives of neoliberalism governments and the cycle of agrarian and mining commodities high prices led to some authors to call these governments as neo-extractivists or neo-developmentalists. The main idea behind these theories is that pillage or extraction of wealth without counterpart is the relation that arises during the boom of commodities. But, as shown, in capitalism the relation between primary commodity production cannot be analysed in a unilateral way and the existence of ground rent makes a more complex relation.

Land as not produced by human labour has no value. Only when work done in a private and independent way capital can advance over it valorisation. The transformation of nature is a condition of this process but the content of the profits which only come from the time of labour done is a private and independent way destined to the market. The privatisation or violent appropriation of land gives the right of appropriate ground rent. But as seen, that implies the appropriation not only from the work done in these lands but from surplus value that flows from outbounds if the commodities are exported.

In this sense, when the prices of commodities rise the expansion of the new natural production frontier is a condition to allow the ground rent been appropriated not only by the private landowner but as seen by other social subjects which has resulted in the content of alternative to neoliberalism expansion policies. Hence, there is no contradiction between attacking former individual or collective land owners resisting displacements or surroundings inhabitants confronting the impact in their living conditions by the contaminant activities and be considered a popular government. This explains the expansion of ambientalist and anti-displacements fights and the rise of legal and illegal repression even by governments that presents themselves as champions of human rights.

It is important to explain the relation between ground rent and this expansion of capital supported by the state. In South America, there is no region without capital. In this sense,

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primitive accumulation is not a valid scenario. In fact, when there is a community or state activity before the new capitals arrive they are also part of capital. Having direct relations inside the production unit does (as campesinos or indigenous communities) do not imply the chance to avoid that the general relation is capital through market.

Accumulation by dispossession theories noticed the problem of talking about a “primitive accumulation” but they also have a view where the advance over the production frontier attacks some intrinsic previous non capitalist situation. But nature or labour does not exist anymore in a general form that capital goes and dominated each time. The existence of labour and his relation with nature is capital. For some authors, this last cycle of commodities expansion with the advance in robotisation implies a change from formal to real subsumption of nature. But for Marx the passage from formal to real subsumption implies the ways of obtaining surplus value. As we have, land has no value for capital even if it has price. This price expresses appropriation of ground rent but generation of the new value.

Capital differentiates itself from other modes of production because the production relations are mediated by commodities. Direct political relations as class struggle are the form of an indirect relation. Land displacements or repression is not over some abstract free communities or individuals. The victims of the destruction or potential destruction of their conditions of reproducing themselves have to produce commodities to survive. Capital productive frontier expansion, known as extractivism, is not looking to appropriate these activities. It is not looking for separate workers from their means of production or their lands in order to expand the working force reserve army as happened in the enclosure described by Marx in *Capital*. The attack over those populations is with the objective of expanding ground rent.

The former activities that disappear are generally small capitals that perish in the competition. Their only hope is to have some state protection. But as shown, the states use ground rent to protect small capitalists which implies that only in a few cases the state defends small capitalists that see their resources attacked by the productive frontier expansion. Those cases are when the importance of the activity is bigger than the new project (this for example happens with the banning of open pit mining in areas with lucrative agriculture).

But not only to use the new territories is the objective of Capital. As explained, South America surplus population is one of the consequences of the kind of companies that accumulate thanks to appropriating ground rent without using state of the art technology. The reproduction of this kind of capital condemns more and more the workers to do not reproduce labour force in normal conditions. This expansion of surplus population explains a source of differential ground rent in the region. As the working class sells its labour force below its value, capital can use in the primary sector contaminant technologies that are not allowed in their home countries. The result is not an abstract appropriation by dispossession of life but a higher productivity that results in differential ground rent which content is as explained supra the surplus value of exploited workers from the importing countries.

In this sense, the content of the fight against contamination is part of the struggle for the general living conditions of the working class, even if during the expansion of ground rent this unity of fight of living conditions of the working class appears splitted. This division is

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the result of an appropriation of the ground rent by surplus capital that do not expand the productives forces which condemn the working class to reproduce its labour force by below is value as part of the surplus population both in urban than in mining and rural places. Is not the advance of productive force the cause of the destruction of living conditions but its particular form not only ruled by capital but by a capital that operates which specific conditions than make it worsen.

The capitalist form of productive forces of work development led by the expansion of profits implies the unsplitable combination of destroying and improving living conditions. South America role in the international division of labour does not participate in the development of productive forces. As shown, ground rent allows the valorisation of outdated capital of “garbage capital. This capital can reproduce itself destroying the living conditions of working class thanks to the appropriation of the ground rent. Only the fight or working class for their living conditions is the form that capital forces itself to introduce better technologies less contaminants. The fight for sell the labour by its value include more and more not only the commodities to reproduce de working force but the general conditions of its life.

But as union fights have a limit to sustain the real wages and a general political perspective is needed to a unity action that changes this cycles, the ambientalist and anti displacements fights have the same problem. With the crisis due to this multinational and local companies show that they are not sustainable without adjustment policies. Capital needs to advance over the appropriation of ground rent in a different way. If the scale of capital is not only for the internal market but at a worldwide level the ground rent could be a platform for the development of the productive forces both in non rentistic sector as in the rentistic sector. But the as the low productivity is common in every country of South America and ground rent is the general condition of reproduction it should be done at a continental scale. Capital in its development advances by concentrating and centralising capital by destroying petty production. Ground rent appropriation mediated by the state allows the slow this process and also gives the illusion of an alliance between workers and national bourgeoisie can be sustained if the correct politicians rule the state. But it is an alliance that do not work at the primary sector.

Recognizing that ground rent is the content of this process put in front of the working class that as attribute of capital his revolutionary perspective is personify this process. This would not lead to fairy tale utopian relation with nature bu it is the only base for a development of the working forces that to not condemn to be a surplus population that allows capital to use obsolete and contaminant technology and the state to guarantee profitability by repressing any defense of working class living conditions.