

# **Book Review**

## **Notes on Guy Standing's *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay.***

**(London: Biteback Publishing, 2017).**

**Reviewed by Victor L. Shammas**

Guy Standing's (2017) *The Corruption of Capitalism* gets it wrong from the very beginning: the title suggests that the social ills emanating from capitalism should be ascribed not to capitalism working according to plan, but to something, somewhere along the way, having gone wrong with capitalism, in the movement from truly free markets to their disfigured progeny. It is never clear whether Standing wants to rid capitalism of its perversions, and thereby restore markets to their purified form, or whether this ethical-moral framing is a rhetorical strategy—a form of immanent critique – aimed at exposing the hypocrisies of those proselytizing the free market creed. At times, Standing sounds like a cross between Noam Chomsky and Milton Friedman. It is this schizoid movement from left to right and back again – a dialectical intertwining –

that gives rise to what one might call Standing's *centrist libertarianism*. He borrows from both right and left, ultimately serving up a strange ideological brew, advocating for the idea that markets should be made free, restoring the welfare state of postwar social democracy, freeing all manner of "commons" (from nature to intellectual property), enclosed within a universal basic income scheme. Common to all these proposals is the idea that capitalism can still be redeemed.

Standing is the originator of the concept of the *precarariat* (Standing 2011), and he has, following the financial crisis, become a leading intellectual of the European left. It is therefore well worth paying attention when Standing offers a synthesizing appraisal of some of the predominant social trends of our times. He does this with flair. The book takes a look at six key areas: subsidies and tax breaks, debt and credit, new enclosures of the commons, the on-demand economy (Uber, Airbnb, TaskRabbit, etc.), and the hijacking of the democratic process by the rich. As such, the book covers a lot of ground. Standing writes with equal gusto about the veritable explosion in patents (more than 10 million patents worldwide in 2014, valued at \$15 trillion, or 20 percent of the world's GDP [p. 52]), the swelling ranks of a trailer park subproletariat in the United States (20 million people, or six percent of the population, live in trailer parks there [p. 148]), and the decimation of labor markets with the rise of the on-demand economy (with an estimated 200 million people worldwide predicted to supplement their incomes by performing online "tasks" by 2025 [p. 218]).

What gives this wide-roaming work some semblance of coherence is the central concept of *rentier capitalism*. (At times, Standing also speaks of *crony capitalism*, and he largely uses the terms interchangeably.) Rent, of course, is not the same as profit, and so to say that capitalism has entered a rentierist phase is to make a claim about the shifting nature of income from profit to rent. In classical political economy, rent is income from owning land. Adam Smith's tripartite division of income into rents, profits, and wages was meant to explain and reflect the triadic social structure of landlords, business owners, and laborers. On the view of contemporary mainstream economics, rent is

“unearned revenue,” that is, revenue that is not, somehow (and this is where things get tricky) *deserved*. By the 1980s, some Middle-Eastern and African nations were described as *rentier states*, seen to have derived a significant share of their national income from the good fortune (or undeserved luck) of having had large deposits or reservoirs of natural resources located within their national boundaries (see e.g. Skocpol 1982). Such windfall earnings were seen to be purely arbitrary and contingent: the economic success of Saudi Arabia was and is in large part due to the scarcity of oil, or the “extra returns that firms or individuals obtain due to their positional advantages” (Bebchuk and Fried 2004: 62), as rents have latterly been defined. Implied in such judgments was the idea that rent-derived income violated basic Western norms about just deserts, a departure from the Protestant spirit and tacit self-understanding of capitalism: wealth should be the result of risk, merit, and hard work. Rents are viewed as the opposite of all of that, first by certain neoclassical economics, and now also increasingly by leading intellectuals of the left, from Standing to Žižek. Standing’s emphasis on the purported shift from a profit-oriented capitalism to a rentier capitalism is merely the latest chapter in a longstanding attempt to establish a certain symbolic distinction between pure, proper profit-seeking and debased rent-seeking.

Rent-seeking is said to be behavior geared towards racking up such “unearned,” or undeserved, revenue, often held to arise out of the manipulation of government. It is “the use of the resources of a company, an organization or an individual to obtain economic gain from others without reciprocating any benefits to society through wealth creation” (Investorpedia 2017). But rent-seeking is a troubling concept. As MacGregor (2014: 261, n. 78) notes, it has been a “central premiss of New Right theory.” British neoliberals developed the theory of rent-seeking in the context of an ideological struggle against the purportedly distorting effects of unionization on labor markets (Plehwe 2009: 29). The concept presupposes that we can distinguish between, on the one hand, detrimental revenues that do not contribute to society and that rely on improper relationships between private entities and the state, and, on the other hand, beneficial profits that contribute to the addition of human

welfare. As Pasour (1987: 123) points out, however, “[S]ince the appropriate role of the state is normative, identifying a particular activity as wasteful must necessarily be based on norms that lie outside of economic theory.” In other words, rent-seeking is in the eye of the beholder: one person’s rent-seeking is another’s boon to human well-being. To label an action as rent-seeking is to impose a negative evaluative judgment on it; it is not, strictly speaking, an analytic act.

Standing, of course, is not alone in this. Max Weber distinguished between *Gewinn* (profits) and *Rente* (rent), corresponding to worthy and unworthy capitalists, respectively. Weber spoke of the degeneration of capitalism as it slid from entrepreneurialism to rentierism (Weber 1994: 68), with “rentiers” being “a stratum of people who just draw dividends and interest, without doing mental work for it, as the entrepreneur does” (Weber 1994: 292). Weber remarks that the French are a nation of rentiers, that the literary class in Germany is a “parasitic” group living off rents (Weber 1994: 84), that rentiers are individuals “living off paper investments” (Weber 1994: 114), that is, “someone whose income is entirely unearned” (Weber 1994: 319). But again, Weber’s distinction is castigatory, not analytical. The concept of rent, as Weber uses it, is a moralistic device for disapprobation, not a stringent analytical concept that helps make sense of capitalism. And Standing follows the old master’s missteps.

Markets are always embedded in the state. The state produces markets. Wherever markets are, there, too, are the tracings of an activist state. The assumptions inherent in the concept of rent, or “unearned income,” is that there can be such a thing as a *pure* economic exchange, a relationship between a buyer and a seller that is unadulterated by relations outside “the market” as such: indeed, that there has ever been such a thing as pure, autonomous markets in the first place. Thus, when labor-sellers and labor-buyers confront each other on the market, so neoclassical economics holds, in the absence of unions and other perturbing features, a “true” wage level can be established, free from the distorting power of an entity outside the market. But buyers and sellers interact within a wider totality of social relations preexisting their

contractual relationship. Cultural norms, laws and regulations, and the state in the entirety of its being, necessarily give rise to a particular way of going about economic exchanges. Markets, as Bourdieu (2005) shows, arise out of the operations, both symbolic and material, of the state. There are no such thing as pure markets, as Polanyi (2001 [1944]) long ago recognized, understood as undistorted, autonomous entities. Markets always arise out of the state. The state makes markets, willing them into being and upholding them through regulatory and auxiliary activities (including such things as setting up a particular legal and educational system).

That is one side of the problem with the concept of rent-seeking. But rent-seeking also presupposes the ability to think of profits as beneficial or constructive. Rents represent corruption, but profits are pure, so the argument goes. This is why it is so important for Standing to stick to his story about “crony capitalism” as the central driving factor in recent economic history, a history defined by “rent seeking through cosy relations with government” (p. 45). The attraction of the concept of rents – and the cronyism said to go with it – is that it leaves the idea of capitalism as such untouched. It establishes an implicit dichotomy between a pure, profit-driven capitalism and a corrupted, rent-seeking sort of capitalism. If capitalist relations today are characterized by rent-seeking, which means improper relations between state and private enterprise, the point is to return to an original position, which means retuning to profits and getting away from rents.

There are multiple problems with this view. First, it neglects the old Marxian idea that profits derive from exploitation and are as a result inherently problematic—all profit ultimately derives from the toil of really-existing laborers, a kind of theft from the value-adding activities of workers, as Marx drives home in *Capital*. Second, it present an overly conspiratorial view of political economy. Thus, Standing writes, “[T]he most insidious way in which crony capitalism is extending its grip [is] political manipulation by the plutocracy and elite, who are funding politicians and political parties to favour the interest of rentiers” (p. 46). Now it would be misleading to deny the influential role played by

business interests on the political process across the Global North, from the Koch Brothers to Davos and beyond. But is this the *essence* of the story about capitalism's ascendancy and potency in our age?

Standing is almost forced to elevate rent-seeking to a central analytic concept because the fundamental premises of the book are that capitalism has become corrupted, that it can be saved, and that the way to go about rescuing capitalism is to abolish (bad) rents and promote (good) profits. Rentierism is a logical, necessary commitment once one has settled on the idea that there is something terribly wrong with capitalism but that this cannot lead us to abolish capitalism tout court. (Interestingly, this axiomatic misstep seems at least partly the result of pressure from the book's publisher. As Standing [2016] himself admitted in the course of a public talk, the title of the book was originally intended to be *Rentier Capitalism*, but "my publishers said: it has no sex appeal. I want you to be able to sell your book in airports, you know, all over the place, and rentier capitalism, nobody really understands. Not even economists. And [my editor] came up with a title... "How about 'The Corruption of Capitalism'?" )

One of the great benefits of the concept of profit is that it has an observer-independent existence. Profit is essentially surplus-value appropriated by capitalists. It requires no special normative commitment to identify profit. Rent, on the other hand, requires that we become ethicists, that we establish distinctions between earned (or legitimate) revenues and unearned (and therefore illicit) income. But is there such a thing as an ethically sound capitalism? On the contrary, one of the most sensible corollaries of the Marxian approach is that nobody comes out of capitalism with their hands clean. Even the most green, compassionate, and "sustainable" investment funds are implicated in destructive actions through the all-encompassing relationality of markets. Under capitalism, everything truly is connected with everything else. Capitalism is inherently rhizomatic, a latticework held together very tightly indeed.

Can we imagine such a thing as a "non-cronyistic" form of capitalism? On the contrary, all capitalists are dependent on the

regulatory efforts of the state. All capitalists must, in some sense, maintain a cozy relationship with the state. This isn't first and foremost restricted to having figures like the Koch brothers lobbying for tax breaks conducive to their material interests. Rather, capitalism and the state are conjoined in what Polanyi called "market society." As Polanyi (2001 [1944]: 204) recognized, however, the "separation of politics and economics" is an "outstanding characteristic of market society," an ideological figment that portrays markets as existing in a purified state.

Standing claims democracy is being undermined by rentier capitalism. The plutocrats are in control. Wealthy rentiers have a material interest in turning the state towards their ambitions, and they have the money and clout to do so; politicians stand to gain a great deal from making deals with rentier capitalists. But as usual, Standing takes this analysis much too far. He claims that "the result" of the symbiotic relationship between rentier capitalists and politicians is a "disengaged citizenry, a decline in voting, [and] collapsing political party membership" (p. 242). Surely wealthy elites alone are not to blame for political apathy. That is too *agentic* a view, one that ascribes too much power to a discrete set of individuals. One quite obvious example that disproves Standing's thesis is the case of Donald Trump, a plutocrat who, whatever else one has to say about him, has energized millions of citizens, on both right and left (for very different reasons). It just isn't true that the billionaire class has a necessary material interest in passivizing the public: generating huge outpourings of public enthusiasm could just as well serve their narrow agenda.

To make his rentier thesis work, Standing is forced to do some heavy airbrushing of capitalism. Thus, Standing claims that in the on-demand economy (Uber, Airbnb, TaskRabbit, etc.), workers now own the means of production, while the capitalists are turned into rentiers, because they "just" control the platform. "Labour brokers [i.e. the owners of on-demand services] are rentiers, earning a lot for doing little, if we accept their claim that they are just providing technology to put clients in touch with 'independent contractors' of service" (p. 239) But why should we accept their claims at face value? Part of the struggle over these

technologies has been precisely to point out that defining workers as contractors is one of the primary methods of exploitation – because it frees employers of important social, economic, and legal obligations. (A class-action court suit filed in California in 2013 turned on this very point, and other lawsuits are being filed across the United States to challenge Uber's definition of drivers as contractors instead of employees.) And yet Standing is forced to accept this argument *prima facie*, because to admit that the owners of Uber are also the owners of the “means of production” – that is, equating the platform *to* the means of production – would mean that they are earning profits, as per Marx, because they're skimming off surplus-value, rather than extracting rent from a control of “the commons.”

The idea of rent, and its basis in the notion of commons, thereby becomes a sort of fetish, a method of conceiving the world, to be defended at all costs, no matter how implausible the outcome. Standing caps off his discussion of the on-demand economy by making “the systemic point...that incomes from labour and work are dropping for most people in and around the precariat, while rental income is mounting fast” (p. 240). Instead, we should say that wages are declining and profits are increasing. Rent doesn't enter into it. We don't need to shoehorn each and every phenomenon to fit with the concept of rent. Profit, surplus-value, and wages will do just fine.

Standing's fundamental assumption, then, is that capitalism is a general category of which *rentier capitalism* (or *plutocracy*) is a subclass. Standing repeatedly assumes that rentier capitalism involves making money from assets or capital: “In sum, the institutional architecture of rentier capitalism has created a fearsome edifice for siphoning income into the hands of the plutocracy, an elite receiving income from capital, and some other favoured groups” (p. 83). But this definition—plutocrats as an “elite receiving income from capital” – is Marx's definition of capitalists. There is no capitalist who is not simultaneously a plutocrat, in Standing's analytical (and castigatory) sense. If we are to follow Standing's definition of rentier capitalism and rentier capitalists, *all* of capitalism and *all capitalists* must be seen as participants in the category



of rentierism. Thus, if we follow Marx, Standing's central, axiomatic idea – that a “pure” capitalism can be established over and against a “corrupted” form of “rentier” capitalism – must be said to collapse.

Standing's commitment to the idea of a truly free market has some perverse effects. It forces Standing to oppose the idea of a minimum or living wage. “While a minimum wage (and its new variant, a ‘living wage’) may set guidelines of decency, they do prevent a free market from operating.” (p. 235) And this is meant to *disqualify* the idea of a minimum or living wage. Certainly, there are good reasons to be wary of the minimum wage. It is clearly not a panacea against all social ills. Norway, one of the world's most successful examples of a well-functioning welfare-capitalist society, doesn't have a minimum wage, and for good reasons: labor unions prefer negotiating a sector-by-sector “tariff” wage, rather than a minimum wage, claiming that a minimum wage tends to become a de facto *maximum wage* in certain sectors (cleaning, construction, transportation etc.). But notice that this is not an argument about the possibility of creating a truly free market. There is no such thing as a truly free market, because markets are always embedded in wider relations of political economy (the state, regulations, subsidies, taxation) and symbolic-cultural forms (norms, attitudes, preferences, ways of life). There is no way out of these relations. But Standing's centrist libertarianism prevents him from seeing this.

Sometimes Standing comes off as a stodgy complainer, as when he bemoans the “noise pollution in public spaces by commercial interests,” exemplified by “muzak” (p. 179), or the commercial billboards that he apparently has seen in Warsaw used to advertise underwear. The steady drumbeat of lamentations can get wearisome: is Standing's vision of universe really so joyless? One-sidedness is also a kind of falsehood.

Even when Standing gets it right, he somehow also gets it wrong. He is critical of independent central banking. Previously, governments were free to set interest rates. But one of the central tenets of neoliberal ideology has been to cut central banks loose. Thus, in 1997, Gordon Brown, Chancellor of the Exchequer, gave the Bank of England the

freedom to set monetary policy. "Henceforth, the bank's Monetary Policy Committee (MPC), although nominated by the Chancellor, was free to set interest rates based on loose guidelines." (p. 115) So far so good. But then Standing writes, "This soon led to penetration by special interests." (p. 115) Standing's monomaniacal framing of all world events is that of the conspiracy theorist, always seeking out the veiled machinations of "special interests." The problem, as Standing sees it, is one of playing fast and loose with ethics: "...throughout history, banks have been vehicles for amoral behaviour, fraud and corruption" (p. 114). Where leftist critics have seen a transfer of power away from elected officials to unelected technocrats (who are equipped with a particular set of optics, a way of perceiving the world that decidedly favors certain powerful, wealthy strata of society), Standing sees the absence of ethicality. Even as Standing gets the problems right, he gets their conceptual underpinnings wrong.

Standing also falls into the nativist trap. Standing claims that in some London neighborhoods, most properties "are foreign-owned" (p. 126). But why would a British-born capitalist class be better? The problem is not that the owners are non-British, but that the British property market is extremely exclusionary – and all the more so in London: in 2015, more than 90 percent of England and Wales remained unaffordable to those whose incomes were at the national average level (The Guardian 2014). Standing is also critical of the sale of a "property empire" consisting of around 900 houses to the tune of 250 billion pounds "to a consortium of Arab investors" (p. 130). Once again, the absence of a comforting Britishness is presented as an integral part of the problem. But would it really be better if this portfolio of buildings were to have been purchased by a native-born group of landlords? Similarly, Standing is skeptical of the Canadian-born Mark Carney, glossed as "a foreigner" (p. 115), who was appointed to lead the Bank of England in the wake of the financial crisis in 2007-2008. "Could one imagine a foreigner being appointed to run the US Federal Reserve or France's national bank?" (p. 116) Let's leave aside the fact that Carney now holds a British passport, has been married to a British woman for nearly two decades, and obtained two degrees from some of Britain's premier institutions of

higher education. Standing's implication is clear: only national citizens can promote the national interest, and foreignness is tantamount to a corruption of the economic, or capitalist, system. So, too, with democratic elections, which Standing views as being undermined by consultancy firms. In the case of "the Australian Lynton Crosby," a political consultant active in Conservative Party politics, one salient feature, so we are told, is that "he was not British" (p. 267). Rupert Murdoch, we are told, is "an Australian-born naturalised American," who "has never hidden his intention to influence British politics" (p. 275).

There is a charitable way to read these frequent allusions, which is that power flows transnationally, and global elites do not respect neat, national boundaries: global nomads are those who possess cash, clout, and political power, and so it would be remiss not to note the "foreign" backgrounds of many of these figures. But there is another, less hospitable way to read Standing's arguments: as a sort of national chauvinism, the kind of nativist sentiment one expects from the staff writers of the *Daily Mail*. His moralizing framework has a tendency to turn ugly in its search for an external scapegoat: parasites, or "leeches" (p. 268), are all too readily seen to be those Others, from "a former Kazakh secret police chief" (p. 126) to "Arab investors," from Canadian central bank heads to Australian political consultants. What makes this nativist sermonizing all the worse is that it doesn't even seem like Standing is particularly aware that he's doing it. His search for an agentic source of the Left's setbacks leads him to castigate those pesky foreign intruders. At the purely factual level, this doesn't seem like prudent social analysis: the vast majority of capitalists in Britain are British – and even if they weren't, it wouldn't be their passport that made them a source of social ills.

Standing's perspective is not that of a transnational or global left. The book skews towards Britain in its choice of illustrative examples, which is fine – all authors write from somewhere – but also in reformative intent. When Standing talks about ameliorating capitalism, he really means repairing capitalism one nation at a time. This methodological nationalism is ultimately incoherent because the social pathologies

generated by capitalism transcend national boundaries. They resemble air bubbles caught under a plastic wrapper: push down on the bubble and it will simply resurface elsewhere beneath the laminated surface. To take an illustrative example: one of Standing's central reform proposals is that all countries should establish a sovereign wealth fund (SWF), modeled on Norway or Alaska (both sourced from hydrocarbon revenues). But he seems to ignore that Norway's oil fund makes most of its money from investments on the world's stock markets; in other words, Norway has learned to play the global capitalist game, generating profits "set to benefit all Norwegians, including future generations" (p. 305), certainly, but to do so in a way that ultimately depends on the exploitation of workers and extraction of natural resources around the world. Sovereign wealth funds are not a way out of or beyond capitalism; they are not even a way of repairing capitalism's worst excesses. Norway's Global Government Pension Fund (GPF) – the bizarrely, perhaps intentionally, misnamed fund (a name that fosters the false impression that it is used to fund future pensions, which it does not) that Norway controls – teaches a singular lesson: SWFs only serve to entrench the interests of financial capital. Standing thinks otherwise. He thinks SWFs can be put to good use. "Considerable redistribution could be achieved by putting a share of profits and rental incomes into a fund for reducing inequality and economic insecurity" (p. 304). But how? By investing in global stock and property markets, or, in other words, playing the capitalist game. Even though the Norwegian fund is "perhaps the most impressive example of long-term thinking by any Western government," in the words of *The Economist*, which Standing quotes approvingly (p. 305), that really isn't saying much in an age of extremely short-termist thought (*item*: unchecked economic growth; *item*: impending ecological catastrophe). And it doesn't even begin to take into account the source of profits generated by the funds that Standing thinks so highly of. Sovereign wealth funds are, at least in part, participants in a zero-sum game: what benefits the Norwegian people, harms seamstresses in Bangladesh and copper miners in Zambia.

Standing is guilty of indulging in what Bourdieu termed "the fantasy of the conspiracy," which is the "idea that an evil will is

responsible for everything that happens in the social world, haunts critical social thought” (Bourdieu 2014: 383, n. 9). From his discussions of the Bilderberg Group, Davos, the Mont Pèlerin Society, and others, Standing largely ignores the structural reasons why the social-democratic project ran aground, preferring instead to emphasize the individualistic, organizational, micro-agentic sources of neoliberal transformation. Once again, this theoretical framing is a necessary, logical misstep arising out of Standing’s commitment to the very idea of rentier capitalism: if capitalism has entered a rentierist phase, that means wealthy, powerful individuals must be responsible for our current predicament, rather than blind social forces. “The main reason for rentier capitalism gaining ground is that powerful rentiers have ways of capturing the state and commodifying politics, while politicians can use rental income to indulge in clientelistic practices that help them stay in office” (p. 241). It is perhaps little wonder that *The Economist* is one of the most frequently cited sources in Standing’s book (at one point, Standing admits that “*The Economist’s* liberal instincts are in this instance correct,” [p. 278], but he frequently leans on the center-right magazine for empirical and conceptual support). For his worldview is increasingly that of a *centrist libertarianism*, that is, a coupling of a progressive critique of domination with a rightwards-tilting fetishization of markets that must be made truly free. To those who believe capitalism is not corrupt but inherently limiting and limited, Standing’s perspective cannot help but seem problematic. For those readers, the challenge is instead to move beyond an ethical framing of capitalism’s woes and devise an entirely new mode of political economy – an immense challenge.

## References

- Bebchuk, L. and Fried, J. (2004) *Pay without Performance: The Unfulfilled Promise of Executive Compensation*. Cambridge: Harvard University Press.
- Bourdieu, P. (2005) *The Social Structures of the Economy*. Cambridge: Polity Press.
- . (2014) *On the State: Lectures at the Collège de France, 1989-1992*. Cambridge: Polity Press.
- Investopedia (2017) Rent-seeking.  
<http://www.investopedia.com/terms/r/rentseeking.asp>.
- MacGregor, D. (2014) *Hegel and Marx after the Fall of Communism*. Cardiff: University of Wales Press.

- Pasour, E. C., Jr. (1987) Rent reeking: Some conceptual problems and implications. *The Review of Austrian Economics* 1(1): 123-143.
- Plehwe, D. (2009) Introduction. In: Mirowski, P. and Plehwe, D. *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*. Cambridge: Harvard University Press, pp. 1-42.
- Polanyi K. (2001 [1944]) *The Great Transformation: The Political and Economic Origins of our Time*. Boston: Beacon Press.
- Skocpol T. (1982) Rentier state and Shi'a Islam in the Iranian revolution. *Theory and Society* 11(3): 265-283.
- Standing, G. (2011) *The Precariat: The New Dangerous Class*. London: Bloomsbury.
- . (2016) Rentier Capitalism and the coming precariat revolt [video]. New Zealand Fabian Society, Christchurch, New Zealand, 30 March 2016.  
<https://www.youtube.com/watch?v=K34j3YQprgk>.
- Standing, G. (2017) *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay*. London: Biteback Publishing.
- The Guardian* (2014) Where can you afford to buy a house? *TheGuardian.com*, 2 September 2015.  
<https://www.theguardian.com/society/ng-interactive/2015/sep/02/unaffordable-country-where-can-you-afford-to-buy-a-house>.
- Weber, M. (1994) *Political Writings*. Cambridge: Cambridge University Press.