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**REVIEW ESSAY**

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**THE NEED FOR POLITICAL ECONOMY IN  
CLASS ANALYSIS: REDISCOVERING  
ANDREW WELLS****Henry Paternoster****Andrew Wells, *Constructing Capitalism: An Economic History of Eastern Australia, 1788-1901*,**Allen and Unwin, Sydney, 1989, pp. 216, paperback edition,  
\$24.99.

There has been little critical reflection on the traditions of class analysis in Australia before its relative decline in the late 1990s. Recent class discourse (*e.g.* Savage *et al.*, 2013; Pini and Previte, 2013; Bennett *et al.*, 2013) has focused almost entirely on contemporary applications of Pierre Bourdieu's *Distinction* (2010 [1979]), as if there was no tradition of class analysis prior to *The Death of Class* (Pakulski and Waters, 1996). This article attempts to contribute to a re-evaluation of the earlier tradition by focusing on one of the most compelling and overlooked uses of political economy in Australia: Andrew Wells' *Constructing Capitalism* (1989). It does not attempt to provide a rounded assessment of Wells' work, let alone the many other significant contributions made by political economists during the same period. Instead, this article draws attention to two of the more salient theories within *Constructing Capitalism* which illustrate the possibility and potential of integrating political economic dimensions into contemporary class analysis: Wells' novel use of 'regimes' of capital, as well as his study of 'surplus value' and its implications.

**Paternoster, H. (2017),  
'Review Essay: The Need for Political Economy in Class Analysis –  
Rediscovering Andrew Wells'  
*Journal of Australian Political Economy*  
No. 79, pp. 107-132.**

The contemporary discourse of 'class' within sociology has moved in the opposite direction: eschewing economic analysis almost entirely, especially that of the Marxist variety. Instead, it draws primarily from Pierre Bourdieu's theory of culture in *Distinction* (2010 [1979]). Following Bourdieu's analysis of French society, classes are defined according to their possession of capital. Here, capital is extended from Marx's definition of self-expanding economic value to include 'cultural' and 'symbolic' forms of value (Milner, 1999: 138). These new forms are unquantifiable, even if they may be converted into one another. Thus, 'capital' becomes a synonym for 'value', in an abstract and intangible sense. Bourdieu's own map of class relations was complex, however by redefining 'capital' so that it does not *necessarily* refer to economics, he laid the foundation for a theory of class for which economics is optional. The ensuing Bourdieusian (or 'culturalist') theorists in Australia have tended to define class *exclusively* in terms of capital stripped of economics, which is referred to as 'cultural capital' (e.g. Huppertz and Goodwin, 2013; Pini and Previte, 2013). There are advantages to the study of the embodied set of dispositions ('habitus') and the distribution of consumption habits, which are the key subjects of this discourse. However, redefining class in this way occludes the distinctly economic aspects of class relations.

The 'Great British Class Survey' (Savage *et al.*, 2013), and the ANU poll which reproduced it in the Australian context (Sheppard and Biddle, 2015) carry some of these problems within their determinations of class. Both studies correlate income, consumption habits and social networks; the latter two distinctly 'culturalist' in orientation. Both studies cluster correlations into groups and label them 'classes'. This is how Sheppard and Biddle were able to hail the discovery of five classes in Australia, mixing old terms such as 'working' and 'middle' classes with newly developed 'affluent' classes. This is a return to the style of earlier stratification theories, which divided societies into an arbitrary number of categories based on the whim of the researcher (see Connell and Irving, 1980: 7-9). Altering the parameters of what constitutes a grouping of the data would result in a different number of classes, and the analytical significance of the groups so produced are unclear. The histories of Sheppard and Biddle's five classes are not discussed, because they have been newly invented. Labelling new clusters of data 'classes' ignores the fact that the 'working' and 'middle' classes, for instance, had self-conscious political existences before this particular study. This existing

consciousness cannot be ignored – it is important in determining both social organisation and the way that social life is articulated through the language of class.

The broader issue is that conceptually organising society according to income brackets or consumption habits overlooks many of the dynamics that have been the subject of class analysts in previous decades: power relations at work, rather than just incomes; tensions between economic projects and the normative philosophies that underpin them; exploring the kinds of political discourse that they are connected with technology, production and the social distribution of resources. The above polls, as well as much ‘culturalist’ theory, ignore the role of political consciousness in the shaping of existing class institutions (indeed, institutions are inessential to such definitions of ‘class’, and can be forgotten entirely as far as class locations are concerned). Culture matters, but it should add to – rather than replace – the insights of previous fields of inquiry, such as political economy. Wells does not offer a fully satisfactory theory of class, but his exploration of some of these dynamics among sections of capital moves in the opposite direction: highlighting the deficiency of research which downplays the importance of political and economic history.

The focus of this article is therefore methodological. While *Constructing Capitalism* offers a rich economic history of the colonial histories of Victoria and New South Wales, it is Wells’ conceptual approach to class that is of most relevance to contemporary debates. Two of the concepts developed in this text are of special relevance: the ‘regimes of accumulation’ and his methodology for the study of ‘surplus value’. Neither of these concepts are unique to his work. However, Wells’ particular use of them offers something useful to class analysis. Of the two, Wells’ ‘regimes’ offers the most promising theoretical basis for distinguishing between, and historically situating, the discrete projects of capital accumulation in the Australian economy. It serves as a foundation for grasping social formations as they have come to make themselves, to borrow Thompson’s phrase. Wells offers an alternative to deductive class categorisation through economic data alone, injecting historicism, contingency – and at least by implication – the role of political consciousness.

Given that I am discussing a Marxist political economist, it is worth pointing out that this article *does not* attempt to light the way forward for

Marxism *per se*. The Marxist economics in *Constructing Capitalism* are incomplete: Wells does not succeed in fully grounding Marx's foundational concepts, such as his theory of surplus value. However, his successes do not depend on these concepts; consequently, their flaws do not undermine the more interesting parts of the text. While 'regimes' are framed and discussed within Marxist terminology, they do not necessarily rely on Marxist theory for their analytical value; in this sense, they double as broader concepts which might be useful to those outside the Marxist tradition.

Instead of focusing on Wells' relationship with orthodox Marxism, therefore, this article approaches the subject from another perspective: that of Australian sociologies of class, which have divorced themselves from political economy entirely. The point of this article is to extract some of the more salient points from a text which has been overlooked for its contribution to theorising class in Australia, with the intention of making them available to contemporary sociologies of class. I explicitly avoid evaluating the Marxist content, because my point here is to illustrate one useful contribution that political economy can make to class analysis - within a sociological tradition that is, at the present time, attempting to shed most of the economic content in its definition of class. For this reason, I will not defend or extend the Marxist content of *Constructing Capitalism*, but rather focus on extracting the elements of his analysis which are of general utility. These are the ones that carry implications for the study of class in general.

### **Constructing Capitalism**

While Marxist economic theory had a following in Australia from the early 20<sup>th</sup> Century, its critical and self-reflective contribution to political economic analysis primarily flourished in the late 1960s and 1970s. This is the period in which journals such as *Intervention* (1972) and *JAPE* (1977) were established. By the late 1980s, the tide was turning against Marxist political economy. *Constructing Capitalism* (1989) was a product of the preceding two decades of research, and it was framed as a defense of the basic utility of the discipline against its critics.

Rather than responding directly to existing Marxist political economies, Wells opted to focus his history as an alternative to N.G. Butlin's *Private Capital Formation in Australia* (1955), which was one of the most

significant economic histories of the colonies. *Constructing Capitalism* was the outcome of Wells' doctoral research, supervised by Butlin himself. The lack of engagement with his contemporaries may be a weakness (Kuhn, 1991: 121); however it does allow him to focus on developing a detailed response to Butlin.

Wells (1989: 1) argues that an explanation of the course of colonial political economy is necessary in order to understand Australian history. He develops an explanatory narrative which focuses almost entirely on Victoria and New South Wales through the use of political economy (Thorpe, 1990: 111; Wells, 1989: ix). This history is organised into nine chapters which cover the period 1788-1901, using data drawn from relevant secondary sources (Kuhn, 1991: 121).

Despite Wells' assertion that he does not contrast his work with 'the weakness of alternative approaches' (Wells, 1989: ix), *Constructing Capitalism* nevertheless makes continual reference to the superiority of political economy over the 'excessively economic approach' of other economic historians, especially that of his doctoral supervisor, Butlin (Wells, 1989: 7, viii). Wells implicitly imagines 'political economy' in Marxist terms, as he justifies the strength of the discipline through the power of Marx's concept of 'surplus value'. Wells also attempts to connect the positive elements of Butlin's analysis to materialism, which similarly draws an implicit connection back to Marxism (Wells, 1989: 82). In this context, 'political economy' is distinct from 'excessively economic' approaches in the sense that it draws connections between political ideology, the logic of economic practices, and the accounting of profits.

*Constructing Capitalism* is, primarily, an attempt to sketch a new historical narrative. Because previous authors such as Butlin were already established, Wells rarely misses an opportunity to point out flaws in his supervisor's work. Otherwise, however, Wells does not substantially refer to other Marxist political economies. His work is therefore parallel, rather than in explicit dialogue with, other capital-oriented political economists (e.g. Tsokhas, 1986), as well as those in the 'settler capitalist' tradition of analysing early colonial history (Beilharz and Cox, 2007: 121; Denoon, 1983; McMichael, 1984).

## Historical analysis

In order to evaluate the significance of Wells' historical discourse, it is necessary to place it in relation to the traditions usually most associated with the history of class in Australia: Labour historians after E.P. Thompson's *The Making of the English Working Class* (1974 [1963]), as well as Australian sociologies after Connell and Irving (1980), which have called for historically-oriented approaches toward class. Other sociologies, such as those within the Weberian tradition, have tended to ignore the histories of class in favour of generating their own classification schemes. Even Connell and Irving, however – the most nominally historical work in the Australian context – has been only partly successful in achieving this goal.

Making this point means undermining some myths within Australian class analysis, which I have attempted in more detail elsewhere (Paternoster, 2016). Contrary to popular belief and the opinions of the authors, Connell and Irving did not develop a foundational, historically-oriented narrative of class with their major work, *Class Structure in Australian History (CSAH)* (1980). While there were some innovations within their narrative, it remained crudely binary by contemporary standards. Despite referring continually to familiar class categories (a two or three class model, depending on the chapter), none of the classes are ever actually defined. Rhetoric which explains the difficulty of defining class gives way to the covert use of classical definitions, without evidence or justification (Connell and Irving, 1980: 1-3). Where no formal definitions are present, blends of orthodox Marxist and populist definitions are smuggled in. For example, after establishing the need to avoid *a priori* theory, Connell and Irving assert that 'to the worker on a production-line, there is not much doubt about the meaning of class'; both neatly avoiding the problem of contested ideas of the 'working class' and justifying the authors' own teleology (Connell and Irving, 1980: 3). This could only be imagined as a new, genuinely 'historical' analysis, if contrasted with the most rigid Marxism of previous decades. Connell and Irving did not succeed in developing historically-generated concepts of class; their history bears the mark of *a priori* theory, imposed on historical documents.

Irving (2016) has rejected the above critique, which I have already responded to in part (Paternoster, 2017). In addition to a defense of their method and political project, the substance of Irving's response (2016:

121-2) relies on self-description and assertion: that Connell and Irving were not Marxists, that they did not attribute socialist consciousness to convicts, etc. My point, however, is that despite these assertions, the text itself is shaped by a range of Marxist and populist assumptions. These are built into the way that class categories are imagined and described, and their presence occludes important aspects of the histories of the classes (or class structures) that are described. When social scientists use this text as a reference guide to the history of class in Australia, they are building their analyses on more questionable foundations than they might realise.

These assumptions can be found throughout New Left class theory in the late 1970s and early 1980s. The problem for social theory is that no text since *CSAH* has provided a thorough, historically-grounded analysis of class relations across the breadth of Australian history. This has meant that class analysts continue to rely on problematic assumptions, often without any apparent awareness that the assumptions are present. Terms such as the 'working class' and 'middle class' are commonplace: for example, they appear regularly in the special edition of the *Journal of Sociology* (see Bennett *et al.*, 2013) and the discussion of 'class' within *The Conversation* (*e.g.* Scanlon, 2014). The terms are used, however, without definition. The authors assume that their readership will understand the meaning of the categories, but in doing so they obscure the fact that these concepts are politically and normatively loaded by the history of class discourses in Australia. Like Connell and Irving, the authors may be *nominally* non-Marxist, non-populist or sensitive to the subtleties of culture, but this alone does not stop them from reproducing or reconfiguring the politics of older traditions in new terms.

There is no general historical text which carefully delineates between different social groups and their relationships to the politics of class without imposing a pre-conceived notion of what, for example, the working class is and should be. Some authors represent certain aspects of class and class consciousness more accurately, in a historical sense, but these have focused on one class in particular (*e.g.* Metcalfe, 1988), or have included it within the study of other social phenomena (*e.g.* Peel, 1995). The outcome is that innovations within class analysis have not fed back into revised perspectives on historical class relations. The standard reference text, therefore, remains Connell and Irving's *CSAH*. Even this overstates the historical content of contemporary sociological perspectives; many do not use any historical referent at all, opting instead

to manufacture new categories of class in the present. This is most clearly evident in the 'Great British Class Survey' (Savage *et al.*, 2013) and the Australian poll which followed it (Sheppard and Biddle, 2015).

In this intellectual context, classes which are analytically based on the ownership of capital are treated especially problematically: they have been ignored by mainstream sociology, despite constituting the central theoretical axis of some of its own major texts (Connell and Irving, 1980; Connell, 1977). As interest in economic capital has been replaced with a focus on 'cultural' capital, class analysts have tended to stop analysing the holders of economic power and their projects. Critique has moved toward the (real and imagined) snobbery of the 'middle class'. Imagining the 'middle class' as the 'elite' is a staple of right-wing class populism, which has roots in American (Cahill, 2000) and Australian narratives (*e.g.* Cater, 2013). A mixture of moral populism and theoretical ambiguity has shifted the discourse of the 1970s and 1980s from the 'ruling class' and sections of capital to the educated 'middle class'.

The result is that class analysts have few theoretical tools for understanding the economic projects of capitalists themselves. This remains an essential part of class analysis in Australia, and it is what *Constructing Capitalism* does particularly well. Wells' achievement here is his combination of economic and political analyses to describe and interpret the historical, rather than the theoretical, social classes of capital.

Wells focuses on the early colonial period, but aspects of his methodology are useful outside of this scope. Instead of presuming the existence of a generalised capitalist class, based on assumptions about the social impact of the logic of capital, Wells attempts to identify the key economic groupings of the colonial period. In doing this, he implicitly fuses their practical and political projects.

Wells' (1989, xiii) assertion that he attempts to 'come to terms with the *historical* (rather than theoretical) reality of an Australian capitalism' is accurate, which is a significant feat in itself. Connell and Irving have been celebrated for their claim of the same nature, which was less successful. Wells does not offer a sufficient general theory of class, but the lessons drawn here from his text need to be integrated with insights from other disciplines, such as labour history, community studies and cultural sociology, in order to provide a rounded analysis of class relations in Australian history.



### **Wells' theory: explicit and implicit**

Establishing his theoretical principles, Wells (1989: xi-xii) argues that the nature of control over production is key to the history of capitalism in Australia. This is emphasised above any other factor, including techniques and 'forces of production'. Therefore:

The formation of Australian capitalism is the process of establishing and reproducing the relations of production and forces of production – the class and ownership relations – in a new environment. Or put another way it is the process whereby things and the capacities of people are brought into definite social relations under the control of capitalists (Wells, 1989: xii).

This means that, for Wells, the existence of markets and trade are not sufficient to constitute capitalism. Capitalism here can only be said to exist when production is controlled by capitalists for the extraction of surplus; it is a system of class rule within a nominally free market arrangement. This may sound economically reductive, but the nuance that Wells bring to the analysis makes it richly historical.

Following this line of reasoning, a prerequisite for capitalism is that all productive capacity, including land, is brought under the control of capitalists. To have land available for anybody to move to and begin their own individual farms would undermine the process by providing an alternative to subordination by capital. In order to be circulated as commodities *under the control of capitalists*, all land must be commodified, sold and thus bound within a market, in which capitalists are economically dominant. For this reason, among others, Wells (1989: 1) argues that the Australian colonies could not be described as capitalist until the 1850s. Under this definition, it becomes clear that Australian society is not being deductively classified as 'capitalist', and therefore split into pre-determined social classes. Rather, the terms are used to help describe social dynamics at the macro level, and which are redefined and reinterpreted in the light of historical economic data; gone is any sense of a Hegelian historical teleology, as is the notion that classes can be presumed at a deductive, analytical distance.

As part of this historical re-narration, Wells follows the various ways in which land came under the control of capitalists. These are unnecessary to explore in detail here. Most important among them is the idea that land had to become commodified (rather than under the control of a nation of smallholders), and that economic relations in general had to take on a

commodified and accumulatory dynamic. Both of these processes were historically contested, and in neither case was the outcome inevitable.

### **Regimes of accumulation: Mercantile and Pastoral-Finance**

Wells' concept of 'regimes of accumulation' is significant for both political economy and social theory. It constitutes a historical, rather than a deductively analytical, means of concretising the study of class in Australia. Wells (1989: xiv) uses the concept of a 'regime of accumulation' to describe the distinct projects of capital in the early Australian economy. Rather than emphasising the unity of a capitalist class with a single project of accumulating capital, Wells attempts to understand the economy in terms of distinct groups attempting to set up their own 'regime': an organisation of industry which combines political philosophy and social organisation. Wells (1989: xvi, 106, 111) does not generate a systemic typology of the regimes of capital, however he mainly refers to those of mercantilism, pastoralism and finance. These three are conceptually separated because they involve different groups, accumulating capital in different ways - although the latter two find common cause to combine and form the Anglo-colonial finance regime. Most importantly, each regime has a different orientation toward social and economic policy. Despite the fact that they all accumulate capital, differences in their political context and historical formation mean that they nevertheless constitute basically different social projects.

According to Wells, Mercantilism - or accumulation centred around the merchant trade - was the first regime of accumulation to develop in Australia. His analysis is on the level of broad dynamics, which are analytically tied to particular industries of interest. Industries such as whaling and sealing are not the focus of his discussion; differences between them are not accorded the same significance as the basically different dynamics of accumulation between the mercantile and pastoral industries. It was the merchant trade that gave impetus to the initial push to commodify land, as well as to shape social relations in a way that was conducive to the circulation of commodities. Merchants were involved in the trade of commodities in the early colonial economy, arriving and seizing the available 'commercial opportunities' (Wells, 1989: 15). The

implication is that this regime set the pattern of economic activity as a whole, including small-scale domestic production.

The main value of the concept of 'mercantile' capital is to distinguish it from productive capital (Wells, 1989: 15, 90). Mercantilism is oriented towards profiting from the circulation of already-produced commodities. Mercantile capital does not concern itself with profiting by re-investing in the productive process itself. To call it 'unproductive' is an exaggeration, because there is real value added in the transport of the commodities. However, because it is not concerned with production *per se*, but rather the circulation of commodities, it is associated with the politics of free trade and minimal taxation (Wells, 1989: 90).

This is significant because domestic production may require a contradictory social policy to those of the mercantilists (Wells 1989: 90). Mercantile trade required basic state infrastructure to facilitate the circulation of commodities, but it had nothing to gain from the further taxation of those commodities in order to subsidise domestic industry. Conversely, domestic production depended on state protection for those specifically vulnerable industries that were either in their infancy, or otherwise at a competitive disadvantage, in addition to taxation for state investment in transport and social infrastructure (Wells, 1989: 90-94). The logic of this social policy, known as 'protectionism', was not particularly supported by those with more mercantile interests (Wells, 1989: 90). However, by the late 19<sup>th</sup> century it had become popular among large sections of the Australian electorate which had an interest in domestic production. This protectionist spending was financed by 'ad valorem duties', which were a kind of tariff placed on imported commodities (Wells, 1989: xiv, 91). The attempt, in 1874:

To remove or reduce tariffs provoked a strong electoral reaction. A policy of encouraging manufacturing, ending assisted immigration and minimising other areas of taxation had become popular amongst manufacturing, farming and working class constituencies (Wells, 1989: 91).

Wells uses the distinction between mercantilism and production-centred capital to explain changes in social policy between 1830 and 1860, which shifted towards the production-centred social policy of 'protectionism'. There is no sense that this transition represented a large scale defeat for merchants as a distinct social group. Rather, it appears that the rising importance of domestic production to the economy as a whole led to successful agitation for its inclusion in social policy, as the powerbrokers

and the electorate saw their interests aligned with protectionism. Some manufacturing was already dependent on it (Wells, 1989: 91).

Part of this shift can be explained by the new opportunities for surplus appropriation within domestic production itself. This began with an increase in finance available for investment. It was the discovery of gold that made this possible:

The initial discovery of alluvial gold in Victoria and New South Wales had lasting effects on most aspects of colonial economic and political activity. Throughout the 1850s and well into the 1860s gold provided the single most important export of the Australian colonies, temporarily eclipsing wool (Wells, 1989: 111).

Less than a decade after its discovery, alluvial gold had already been exhausted (Wells, 1989: 113). Nevertheless, the intensity of the gold rushes was enough to establish finance capital in the Australian colonies. While alluvial gold mining is not described as a regime in its own right, it nevertheless led to the development of a powerful domestic accumulation regime in the form of finance capital, which in turn facilitated a domestic economy centred on production.

This occurred because new projects for the investment of capital became necessary after the exhaustion of alluvial gold. Colonial and Anglo banks, having accumulated capital from gold mining, sought new outlets. These were found in the establishment of stock exchanges to raise local capital for colonial investment, deep shaft gold mining, agriculture and pastoralism (Wells, 1989: 113). These opportunities allowed for an emerging finance regime to continue to invest in the Australian colonies.

Pastoralism eventually became the focus of productive investment. British investment funds in the colonies during 1871-1890 were 'mainly used for pastoral and agricultural purposes against the security of landed property and liens on crop and stock' (Wells, 1989: 121). This became possible on the basis of a major technical innovation in pastoral production: fencing (Wells, 1989: 114). Fencing reduced the cost of maintaining a station by shepherding to a quarter of what it had been (Wells, 1989: 114). However, fencing large tracts of land required a huge initial investment. Paying for this led to the expansion of different kinds of financial activity, such as mortgage financing (Wells, 1989: 116). It was not, however, until the early 1870s that the finance-pastoralist regime began to take shape as a result of British funds entering the sector (Wells, 1989: 120). Wells also observes, following the analysis of J. Lee,

that the levels of investment in pastoralism could not be entirely explained within the context of colonial economy: the demand coming from Britain dictated the expansion and contraction of this industry (Wells 1989: 79-80). The 'imperial' factor thus plays a major part in Wells' description of the pastoral-finance regime.

The development of this new regime is, for Wells, closely associated with the development of capitalism proper in the Australian colonies. Wells (1989: 120) argues:

In the first phase of the development of colonial finance capital (1850-1872), the provision of finance was strongly linked to the dominant forms of commercial capital...The accumulation of capital from trade, and especially overseas trade, did not depend upon the development of capitalist production. As we have seen, before the late 1850s neither wool nor gold production was fully capitalist in organisation.

As previously mentioned, for Wells the circulation of commodities is not enough to constitute a capitalist economy. A capitalist economy only fully emerges when commodity *production*, not circulation, is organised for *surplus appropriation*, rather than for profit through trade. For this reason, Mercantilism only encourages the *prerequisites* for capitalism, such as the process of commodification and the accumulation of profit from trade. It is not until the development of finance capital, invested largely in pastoral production, that such a dynamic displaces the earlier focus on mercantile trade and a fully capitalist economy is established.

Finance capital, despite its association with the banks and the circulation of money, is not speculative or mercantile. It finances industries to produce commodities, the profits from which can be used to repay debts and continue the cycle of productive accumulation. Therefore, as pastoralism developed greater opportunities for productive investment with the innovation of fencing, it became closely associated with finance capital. At this point, distinguishing between the two loses its initial significance. They constitute one block or regime, as distinct only from the mercantile regime at this time.

For the purposes of *Constructing Capitalism*, this means that finance capital should be considered along with pastoralism, since it is only later (outside the scope of *Constructing Capitalism*, which ends during the 1890s) that other industries, such as mining, come to rival pastoralism as the key domestic industry. Wells' point is that the Anglo-colonial finance-pastoral regime became the most significant focus for capital

accumulation in the Australian colonies by the late 19<sup>th</sup> Century, and that this represented the full establishment of a capitalist economy.

These 'regimes' are significant to the study of class because they link economic practices with political outlook (or even 'class consciousness') through a careful analysis of historical practice. This is in stark contrast to the *a priori* analytic deduction of many class analyses, whether they are nominally Marxist (Connell and Irving, 1980; Kuhn, 2005), Weberian (Wild, 1978) or Bourdieusian (Bennett *et al.*, 1999).

### **A methodology for the study of 'surplus value'**

It is worth introducing some of the broader aims of *Constructing Capitalism* at this point, including its Marxist theoretical framework, which mediates some of the successes discussed above. Wells' main objective is to justify the need for political economy as a method of analysis. He bases his argument on two broad points: first, that economics cannot be understood without also understanding politics (and vice versa); second, that capitalist economies are most effectively studied using a Marxist theory of surplus value, as opposed to Keynesian economics (Wells, 1989: 135-136).

Wells (1989: 89) demonstrates the unity of politics and economics with his discussion of land alienation, state economic intervention and the struggle over commodification between various social groups. However, while this line of reasoning demonstrates the usefulness of looking at an interrelationship between politics and economics at a general level, it does not constitute a rebuttal of Butlin's work. There is no obvious reason why political philosophy could not simply be grafted onto Keynesian, or other economic modelling, to provide a rounded assessment. The only part of Wells' argument which constitutes a replacement of Butlin's method is the concept of 'surplus value'.

Wells (1989: 135) notes the Marxist model of economic accumulation may superficially appear 'as a circular and expansionary process closely related to the Keynesian investment model for growth'. The difference between the Keynesian and Marxist models is the latter's 'historical emphasis on forms of private property, the exploitative and thus limited nature of surplus appropriation...and the related distinction between productive and unproductive labour' (Wells, 1989: 135). Wells (1989:

135) believes that any model which lacks an understanding of class relations and forms of property, 'is at best simplistic'.

At least nominally, Wells (1989: xvii, 138-144) places the Marxist notion of 'surplus value' at the centre of his analysis of social classes and 'regimes of accumulation'. According to Wells (1989: 135), the private sector, the public sector and landed property constitute 'the three major areas of value creation and surplus value appropriation'. Analysis of surplus is important because it identifies those areas of the economy that produce more than they need to sustain themselves, and which can therefore provide the basis for accumulated wealth. The economic activity that the surplus is reinvested into determines the direction of growth for the economy as a whole; excepting new sources of international funds, new trajectories and industries cannot come from anywhere else. The people responsible for producing and organising this growth were, therefore, the key social groups in the colonial economy.

Distinguishing between total economic activity, and those sections of it producing a surplus, is important when a section of the economy is engaged in producing the means of subsistence:

In late nineteenth century Australia most labour was organised to produce the means of subsistence. The bulk of rural production was directed to colonial or inter-colonial trade and to consumption – a part of production that does not enter the commodity market. Urban manufactured goods were produced for domestic consumption (Wells, 1989: 139-140).

The most important parts of the economy for the accumulation of surplus were only a minority of total economic activity. Despite subsistence tying up most economic practice, it was not a major source of accumulation or social power. Wells (1989: 141) compares this with surplus value creation:

The areas of real accumulation and thus economic power were among the producers of pastoral, agricultural and mineral commodities, especially those destined for the world market, and in the financial, commercial and real estate concerns established around these industries.

The concept of 'surplus value' encourages the study of those areas of a capitalist economy in which the greatest social surplus is produced. There is a difference, however, between surplus produce and surplus value. Wells (1989: xvii) defines surplus *value* thus:

The capitalist class appropriates the difference between the value of the invested capital and labour power required to produce commodities and their value realised on sale; that is surplus value. Surplus value may subsequently be divided amongst a variety of legal claimants.

The analysis is promising until this point, but the connection between the actual social groups, i.e the 'regimes', and 'surplus value' is unclear. The problem for Wells is how to measure the surplus value. He mainly relies on existing accounts, which at best record profits. There is a difference between profit and value, however, in the classical Marxist economics that Wells builds his work on. In *Capital*, the difference between the cost of producing a commodity and the subsequent value of that commodity is explained by the ability of workers to produce more than it takes to sustain them (Marx, 1990 [1867]: 300-301, 324-327). According to Marx (1990 [1867]: 126-130), the only universal factor in the exchange of commodities is the amount of socially necessary labour time required for the production of a commodity, which is known as its exchange value or simply its 'value'.

Wells' use of 'surplus value' refers to a discrepancy between the cost of producing commodities and the value realised on their sale. The reason for the discrepancy, according to Marx, is that humans are capable of producing more than it costs to produce and reproduce themselves. This is important because it indicates that the social surplus under capitalism is to be found not in those areas that produce more physical commodities, but in those industries which are able to produce a high amount of equivalent labour time relative to input costs using the same measure; in Marx's (1990 [1867]: 320-322) terminology, those with a higher ratio of 'surplus value'.

In theorising the 'regimes of accumulation', Wells appears to look at those areas with high profit rates and a significant capacity for investment, expansion and the production of large amounts of absolute surplus. Wells prefers to use the term 'surplus value' rather than 'profit', at least partly because the national accounts are considered suspect. Wells (1989: 139) reflects on Butlin's 'conventional' construction of those accounts:

An account of the market value of commodities produced in a given year in various categories, the level of capital inflow and outflow, the movement of commodity prices, the distribution of labour or even an input/output analysis of value added in each industry has serious



limitations. The accumulation of statistics and their interpretation, no matter how illuminating, was ultimately limited by the concepts and theories behind the selection. To transpose such figures into explanations of growth and recession, property ownership and the interplay of colonial and imperial forces, is to require a consistent theory hitherto eluding most economic historians.

Wells does not provide a quantified account of surplus value production in these examples, probably because he was not convinced by available statistics. Wells' only alternative is to moderate the accounts and the statistics with a *theory* of surplus value, which offers a better explanation for economic and political developments. This is tenuous, although it is difficult to imagine what other data Wells could have used. The explanation that Wells (1989: 149) ends up with nevertheless offers a compelling alternative to the conclusions that have been drawn from Butlin's analysis:

Butlin's estimates emphasised the contribution of urban manufacturing and construction to total output...While the 'rural' economy's significance was thus reduced, the position of the pastoral industry was deflated within primary production. The financial sector is assessed as quite modest. These conclusions do not appear to bear out an analysis dominated by a pastoral economy linked to a commercial and financial system.

Wells (1989: 24) argues that, on the contrary, manufacturing had little room for private accumulation and that pastoralism and finance capital were the dominant industries. The strength of this is its ability to distinguish those parts of the economy that are of relatively greater significance to the economy as a whole, regardless of their absolute size. It does not depend on a Marxist theory of surplus value *per se*; a similar point could be made without recourse to the labour theory of value, or indeed even to the concept of exploitation. There is no necessary connection between the Marxist terminology that Wells invokes and his concrete analyses. Nevertheless, an orientation toward the *concept* of surplus value enables Wells to build a persuasive analysis of broad trajectories within the economy as a whole and the political philosophies associated with them. It is through an engagement with Marxist economics that Wells can conclude that Butlin's approach, lacking an orientation to surplus value, mis-characterises the social dynamic as a whole. Whether or not Marxist theory is formally invoked by class theorists, there is something illuminating within the concept of surplus value that warrants continued attention.

## A political economy of social classes

There is also a potential foundation for new analyses of colonial class relations in Wells' use of 'regimes' and surplus value. Wells' (1989: xii) theory of class relations, like his analysis of economic patterns, is theoretically rooted in the concept of surplus value and its appropriation:

Capitalism defines a social structure, a way of producing commodities, a relationship between owners and producers, and a means of appropriating society's product. Capitalism is, in short, a class society because the relations and forces of production are all imbued with class aspects, in which the capitalist class is economically, politically and legally dominant.

This implies a polar relationship between productive labour and exploiters – the 'two great hostile camps' of the bourgeoisie and proletariat (Marx and Engels, 1952: 46-47). However, as with Marx, there is theoretical ambiguity as to whether these two poles constitute discrete social classes, or whether they can be concretely re-divided into some other number of classes. Wells (1989: 144) refers to Marx's theory of *three* classes:

In his unfinished chapter on classes in volume three of *Capital*, Marx noted that landowners were one of the three great classes of contemporary capitalism...Marx explored the contradictory implications of private land ownership on commodity production. He saw private land ownership as a necessary but retarding factor in the development of the forces of production and in the accumulation of money capital by industrial capitalists...Commodity production required private property in land but was severely hindered by its existence.

In this formulation, it appears as if a non-capitalist form of surplus appropriation has become a *prerequisite class* for capitalism<sup>1</sup>. Landowners seem to fit into the category of surplus value appropriators, yet Wells (like Marx) categorises them separately, since they are completely parasitic on production. Landowners as an abstract social category do not *necessarily* invest or produce anything, as their role is defined simply by their ownership of land: charging (or extracting surplus from) the productive economy for its use (Wells, 1989: 144).

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<sup>1</sup> Wells uses the term pre-capitalist; Thorpe argues in favour of using 'uncapitalist' instead to 'avoid the teleological implications' (Thorpe, 1990: 110). I prefer 'non-capitalist'.

It is important to remember here that these are abstractions: insofar as a person simply charges rent, they are necessarily parasitic on production that occurs elsewhere. However, there is nothing stopping those landowners from reinvesting their surplus in productive activity. Wells does not concretely distinguish between the roles of those charging rent, those charging rent *and* producing surplus, and those involved in surplus production without an interest in land. However, what was distinctive about Australian capitalism was the absence of an existing landowning class (Wells, 1989: 41). His assessment is that the main line of demarcation between surplus-appropriators was between the economic practice of mercantilism and that of pastoral-finance, rather than between the ownership of capital and the ownership of land.

Wells also contextualises the division of surplus value within international relationships. Wells does not propose that the Australian colonies were exploited by Britain, but rather that there was a shifting pattern of social interests from a non-capitalist mercantile accumulation regime to a definitely capitalist productive regime, financed by international capital. Wells is able to provide a nuanced picture of international social relations between the Australian colonies and Britain:

The economically dominant faction of capital was not colonial or national; it was international. But it was contradictory. Productive industrial capital resided in the colonies whilst financial dominance was external...It follows from our premises that the basis of class relations did not reside simply in the colonial economy. Needless to say the class positions of the majority of the colonial population were outside the export economy (Wells, 1989: 141).

One important actor within Australian class relations therefore existed internationally. British finance capital influenced Australian class relations primarily in terms of the accumulation regime it built with domestic pastoralists<sup>2</sup>. Although the majority of the colonial population were not in direct relationship with British financiers, it makes little sense to study projects of accumulation within a strictly national framework. While Wells' focus is on the domestic economy and its relationship with the local actors of the colonial states, classes etc., he is

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<sup>2</sup> Although no doubt there was a substantial influence of British capital on the colonial states, given that they were 'closely linked to Anglo-colonial finance capital' (Wells, 1989: 109).

nevertheless able to situate their practice within the global economy in a way that does not overstate the autonomy or dependence of the colonies.

A limitation of *Constructing Capitalism* is that only the appropriator's side of the producer/appropriator relationship is seriously investigated<sup>3</sup>. It is unclear whether or not Wells believes Australia had a formed working class or proletariat in the 19<sup>th</sup> century. Wells is concerned exclusively with surplus value appropriation, and almost exclusively with professional surplus appropriators: capitalists and landowners. Other actors, such as gold miners and the petit-bourgeoisie, are mainly discussed in terms of either their social and legal responses to issues such as land alienation and commodification, or in terms of how they were or were not able to accumulate surplus. In both cases, they are relevant primarily because of their impact on surplus value appropriation.

Wells' most powerful arguments therefore sidestep *both* the polar and three-class theories of class. At times, the major distinctions made are between broadly defined interests, such as mercantile interests and domestic production, whereas at other times the distinction is between contingent groups, such as squatters, gold miners, small scale farmers and selectors. It is unclear how these groups relate to either of the binary or plural theories of class. The logic for their definition is simply that they are considered *as a group* based on their relationship to surplus value production and appropriation. This does not, in itself, imply a limited number of types of relationships to surplus value appropriation – just that a substantial division in terms of a group's relationship to surplus is important in understanding social relations.

Wells' political economy therefore establishes most of the significant contours of economic relations. The main element that is missing is an injection of political subjectivity, particularly in relation to the working class. Wells (1989: 89) does not exclusively focus on economics: he discusses the role of the colonial state as a contingent and politically conscious attempt to create a capitalist market economy. However, he does presume a direct relationship between economic interests and political consciousness. He does not sufficiently interrogate the concept of 'class interests', and nor does he examine the differing forms of political consciousness within the same economic relationship. This is an

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<sup>3</sup> Occasional references are made to the working class, but these are a minor part of the text (e.g. Wells, 1989: 49, 158).

area in which other disciplines, such as anthropology and labour history, have made significant contributions. To draw one example, Metcalfe's *For Freedom and Dignity* (1988) addresses this issue directly by examining different forms of working class consciousness among mining communities. Metcalfe's anthropology is limited by his assumption that divergent forms of political consciousness must always reflect material interests. Nevertheless, he does establish that multiple types of 'class consciousness' can be associated with the same formal economic category. This is one example of how Wells' political economic analysis might be further developed, alongside the often siloed class analyses of other disciplines.

## Conclusion

Wells' *Constructing Capitalism* is an overlooked contribution to the study of class in Australia. His description and interpretation of the 'regimes of capital' is one of the strongest models for the study of classes based on capital. This is significant for contemporary debates on 'class' within sociology, which almost entirely ignore this side of the analysis. It potentially avoids the problems with cruder analyses of the 'ruling class'. Wells' (1989: x) argument that class 'is not a rigid set of eternal categories but a means to grasp structured yet dynamic social relations' is more than rhetoric. In Connell and Irving's *CSAH*, this sentiment is superficial; in *Constructing Capitalism*, however, it is demonstrated concretely through an empirically-grounded historical analysis. Having achieved what some of the classics of Australian sociology have not, it is unfortunate that *Constructing Capitalism* and other political economies are absent from contemporary sociological discourse on class.

It remains necessary, however, to retain an awareness of three main limitations of Wells' analysis. The first relates to the formal Marxist economics that he locates his research within. Wells' narrative suggests that there is something illuminating in using relationships to 'surplus value' as a measure of social and economic relations. For this reason, it is worth reading his attempts to apply the concept. Wells is unable, however, to offer a convincing explanation of how this works at any level of detail. He presumes, rather than demonstrates, Marx's Labour Theory of Value. The silver lining is that this failing neither substantially undermines his concrete analysis, nor his general point about the

differing importance and politics of productive economic activity in relation to politics.

The second problem is that his ambiguous use of some rigid and singular categories, such as 'the' working class, limits the theoretical conclusions that he can draw about how to study class. What constitutes an economic interest, and on what basis can this be read as a 'class' interest? Wells explains his use of the concept of a 'capitalist' class, but this is not paired with an equally historical definition of 'the working class'. This is the product of situating a creative analysis of *capital* formation within otherwise orthodox models of class relations. Wells analyses the process of capitalist class formation within the context of political contingency, as against inevitability, implying that politics is important to the formation of capitalism (and therefore classes as well). He nevertheless superficially describes class interests as unproblematically resulting from economic facts. These two aspects of the text are in tension with one another; as a historical analysis, it possibly validates Gareth Stedman Jones' (1983: 21-22) argument that class interests are themselves best thought of as constituted by political discourse. Following this line of reasoning opens the possibility of a bridge between this kind of labour history and political economy. Locating his work the way that he does, however, Wells does not draw any such conclusions.

Considering *Constructing Capitalism* alongside the class analysis of Connell and Irving's *CSAH* highlights the importance of separating the implicit methodology of a text from what an author says about their own work: Wells formally refers to class interests in a very orthodox manner, despite the obvious political contingency and creative analysis of his history. The strength of his work is that it manages to map his 'regimes' as historical and political constructs, rather than as the unfolding of an economic logic. It takes a particular reading of Wells – that I have attempted in this article – to use what he achieves in practice in order to move beyond the formal theory that he packages it within. Even the more illuminating texts – perhaps especially those texts – need to be read critically.

Another limitation is that for Wells, as with other political economists such as Kosmas Tsokhas (1986), class analysis is *capital* analysis. The innovative, empirical and historically generative regimes of 'capital', which are the real object of analysis in Wells' work, are situated alongside awkward, obligatory references to a largely undefined

‘working class’. Here, class *is* capital, and the working class is (for most of the narrative) merely the negative space constituted by the former’s existence. We see the struggle over land, but no explanation of the social being of those doing the struggling – at least not in terms as sophisticated as the regimes of capital. Wells narrates the histories of capital, but this kind of political economic analysis is necessarily blind to class relationships and practices that are not fundamentally *about* the accumulation of capital. Despite this, however, Wells offers a useful counterpoint to the equally reductive imagination of the ‘capitalist’ class in other disciplines. In their own ways, Thompson’s working class history and Wells’ political economy develop creative and historically contingent redefinitions of one ‘class’, while leaving their binary opposite as a caricature by comparison.

There remain other theoretical problems with Wells’ analysis, at least on the superficial level of his self-description. As a methodologically inverse image of *CSAH*, it is the substance of its narrative that remains its distinguishing feature. Where Connell and Irving’s self-description stood in place of a substantive foundational analysis, in the case of Wells, his self-description limits an interpretation of his actually generative analysis of capitalist political-economic formation in the colonies. *CSAH* is notable for the gulf between its rhetoric and the way that it deals with actual historical documents (Paternoster, 2016). By contrast, *Constructing Capitalism* remains useful for contemporary class analysis in terms of the way that it practically works with data. In this way, it offers a corrective to the one-sidedness of ‘culturalism’: highlighting the need to understand the relationship between political discourse and economic projects in Australia.

The existing disengagement with texts such as *Constructing Capitalism* limits the explanatory power of social theory. Wells’ work offers a rich and historically-grounded analysis, which could potentially complement sociologies of culture. Recognising this does not require you to be a Marxist; for this reason, I have avoided the distraction of measuring his closeness to Marx’s economic theory. Wells does not completely justify the concept of surplus value as opposed to profit, and neither does he carefully link every class to an objective relationship to the extraction of surplus value. Wells offers some useful raw data for those interested in pursuing these lines of thought, but to focus on this would be to miss the trans-disciplinary utility of his history of ‘regimes’. He is interesting, I

think, less as a Marxist and more for his otherwise overlooked use of concepts such as the ‘regimes’ of capital.

Finally, this article has not celebrated *Constructing Capitalism* as the answer: not for Marxism, nor for the study of class. Rather, it has drawn attention to some of its concepts which might serve as counter-points to the current fixation on ‘culture’ within social scientific definitions of class. If this seems insufficient or unclear, it is because the point is to escape the rigid clash of ideologies in the social sciences that is nearly synonymous with ‘class analysis’ itself. I have attempted to explore a path between a rigid adherence to ‘economics’, in the classical Marxist sense, and an equally rigid attachment to ‘culture’, in a loosely Bourdieusian sense. One article is necessarily insufficient in its pursuit, but it is still necessary. Illustrating the potential of Wells’ work, as it extends beyond the Marxist language in which it is articulated, offers a political economic orientation which holds the potential to strengthen the study of class in Australia.

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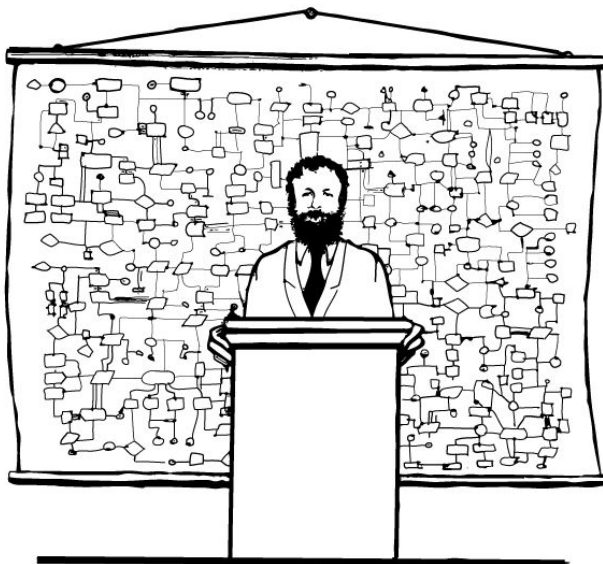
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“Now that you have an overview of the system,  
we’re ready for a little more detail”