

ECONOMICS:

Theory of Rent (PART I)

CARVED IN STONE above the Royal Exchange in the City of London is the Biblical legend "The earth is the Lord's and the fullness thereof", to which we reply "The earth is the landlord's and the rent there-from". In the same Biblical strain we add "And he reaps where he does not sow".

The ancient forms of rent paid to a feudal lord, or lord of the manor, or to the Church, were usually levied in kind, and met either by the supply of a portion of the produce from the land, or by performing unpaid labour on land belonging to these groups. These old social relations of feudal society have been replaced with other higher social relations of production associated with the land and its capacity to attract rent. Land use, including agriculture, has been specifically adapted to the needs of capitalism. The vast bulk of society's food is obtained from the land, and takes the form of commodities, i.e. articles produced for sale and profit. Consequently agriculture is under the domain of capital.

Rent is the money tribute levied by one section of society (landlords) against other sections for permission to use certain portions of the globe which they (landlords) have appropriated and monopolized to the exclusion of others. To grow food, to build houses, factories, shipyards, etc., a ground rent must be paid to the owner of the soil. Private property of land, and this includes land owned by the State, is a prerequisite for extracting rent. History is full of instances as to how the rural labourers were driven off the land by force, bloody violence, threats of imprisonment and deportation, as in the case of the Land Enclosures over the last few hundred years. The fact remains that permission even to inhabit the earth has to be obtained from a group of rentier parasites who monopolize it. Ground rent is surplus-value which has previously been extracted from the working class. Whether this is paid to private individuals, the State or the Church makes no difference. It is an element in the overall economic organization of capitalism.

Land has no value - that is, it contains no socially necessary labour, the source of value. The labour of society has not participated in its creation. It cannot be reproduced, and is not a commodity. Not being a commodity it does not have exchange value, and consequently does not contain surplus value. Surplus-value comes from unpaid labour, and as no labour at all has gone into its creation it cannot contain value. Land has use-value as have commodities generally, but whereas you can have use-value (the utility of a thing) without exchange-value (price), you cannot have exchange value without use-value. The landlord cannot sell non-existent commodities; the service he provides is the service of rent collection.

It is obvious that land is bought and sold both as building plots and agricultural land. To that extent it assumes the commodity form. Capital can be fixed in the soil either through the erection of buildings, land improvements like ploughing, drainage and fertilization, mining and quarrying operations etc. This capital forms part of the labour of society generally and does not spring from the soil. The capitalist farmer produces wheat etc. in the same way as the capitalist manufacturer produces other commodities. They differ only in the element in which their capital is invested. Their capital, like all other, qualifies for the average rate of profit, and if needs be can move from one sphere of production into another.

Capital fixed in the soil - plant, factories, office blocks etc., as with capital elsewhere, would be entitled (under the laws of capitalism) to attract interest, but strictly speaking this is not the same thing as ground rent, which is specifically paid for the use of the soil and for permission to fix the capital in it in the first place. Unlike machinery and industrial plant which wears away and has to be replaced, the land (apart from natural catastrophe) with normal care and attention, fertilized and drained regularly in the case of arable land, or developed with office blocks and shopping precincts, continues to improve. To that extent it can attract a higher price for its use in the form of ground rent, or fetch a higher price should the landlord decide to sell it. The price of land has nothing to do with its value, which is nil. The price of building land depends purely on the oscillations of the market, or competition between buyers and sellers.

The location of the land is a very important factor in this competition. Land required for building in a big commercial centre like London will fetch a higher price than land elsewhere. With agricultural land the position is somewhat different, but the monopoly of the land owner is a major factor in the determining of the final price in both cases. Obviously

good agricultural naturally-fertile land which can yield 2 tons of grain per acre would fetch a higher price than land of lesser quality which would only produce 30 cwts of grain per acre. The rent charged for the use of these lands would vary, and bear some relation to their yields.

Certain vineyards in the Bordeaux/Medoc area - Pauillac, Pomerel, etc. because of certain chemical properties in the soil, are able to produce fine wine. Other vineyards which lack these properties in the soil are unable to produce such fine wines, although the same amount of useful labour has gone into their production. The finer wines and lesser-quality wines contain, broadly speaking, the same amount of useful labour, but there is a considerable difference between the price of a bottle of Chateau neuf de Pape from the Rhone valley, and a bottle of Chateau Petrus or Chateau Lafite from Pomerel or Pauillac, as any wine-drinking capitalist will tell you - at £5 per bottle this is hardly a worker's tipple.

The difference in price does not arise from the labour involved but purely because of the natural properties of the soil. The owner of land where the vines were grown would be able to charge a higher rent for the use of this land, and the wine producer would have to part with a larger share of the surplus value to the landlord than would the Rhone wine producers. Were the fine-wine producer the owner of the vineyards instead of the tenant this would make no difference. In that case, he would pocket the extra profit in his capacity as a landlord and not as a wine-growing capitalist. In any event, before he could become a landlord, he would have to acquire the land from the previous owner, and spend a capital sum in order to achieve this. To that extent, the rent that he virtually paid to himself instead of to the landlord would merely represent the interest on the capital which he had invested in the purchase of the land.

Rent is the way in which land realizes itself economically, and whilst rent itself is not interest (i.e. money paid for the use of capital), it is influenced by the rate of interest, as also is the buying and selling of the land. Naturally, market conditions intervene because of the monopoly of landlords (sellers) and demand from the other portions of the capitalist class (buyers), particularly competition for building sites in city centres where any price may be paid.

During periods of inflation the price of land will rise with other prices, not only because the value of money has fallen but because ownership of land provides a certain protection against the depreciation of money. The price of farmland rose from approximately £50 per acre in 1949 to £800 per acre in 1973, due to inflation. Prices are now falling. They fell 22 per cent in the first half of 1974, and are expected to fall to £582 per acre towards the end of 1974. (Farmland market, *Farmer's Weekly: The Times* 3rd February 1975). Mr. Donald Campbell, editor of the report, said "The market is highly volatile; only a few years ago changes in value were gradual and their range was small."

Over a period, the yardstick for measuring the price of land is by a capitalization of the rent. That is, by assuming that the rent represents the interest on an imaginary capital. If the prevailing rate of interest is 10 per cent, and the landlord receives a ground rent of £500 p.a., that £500 would represent the interest on an imaginary capital of £5,000. Were the rate of interest to fall to 5 per cent, the £500 p.a. would represent the interest on an imaginary capital of £10,000. The price of land is arrived at under normal conditions by the number of years it would take for the rents to reach the capital sum. In the first case the price of land would be £5,000 i.e. 10 years' ground purchase. The external rate of interest can and does influence the price of land. During a period of low interest rates, the price of land will tend to rise, and during a period of high interest rates the price of land will tend to fall, without affecting the rent at all. In England particularly, land is usually sold at so many years' purchase, usually twenty years or more.

A value is therefore conferred on land by circumstances outside, i.e. the rate of interest, and does not arise from the land itself, simply because those who own the monopoly can prevent others from having access except on terms and conditions decreed by them. In this the landlord is joined by capitalists generally who operate in the same way by excluding society at large from access to the means of production and distribution, as well as monopolizing the social wealth. As society develops, and the population increases, and there is a growing demand for land for all purposes, the landlord will share in the fruits of this social progress without contributing anything at all. The industrial capitalists who dominate the political machinery take legislative measures to curb the appetite of the landlord, but you cannot abolish rent without abolishing private property in land, and as this forms the basis of the capitalist

system of production, you cannot abolish private property in one sphere and retain it in another.

Private property includes State property, which will be dealt with later.

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