Issued for the International Conference celebrating The Henry George Centenary, New York City, 1939.

Karl Marx's Theories of Surplus Value and Land Rent

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The systematic exposition of the economic theories of Karl Marx is contained in the three volumes or "books" of *Das Capital*. The first edition of the first volume was published in German in 1867, and an English translation by Moore and Aveling appeared in 1886. The second volume contains little to modify the first volume, and will not be noticed here. The third volume, which bears the sub-title "The Process of Capitalist Production as a Whole," was, as Frederick Engels explains in his preface, drafted between 1863 and 1867. It was not prepared for the press and published until 1894 when Engels completed this task eleven years after the author's death. The first volume had therefore a long start of it, and most of those who profess themselves to be Marxians base themselves on that or on popular summaries of it, and are unacquainted with the third volume, which in important matters profoundly modifies the inferences to be drawn from the first. In their preface to the latest translation of the first volume Eden and Cedar Paul say: "The present volume contains the whole of what most people mean when they speak of 'Marx's *Capital*.'"

THE LABOUR THEORY OF VALUE

The foundation of the whole Marxian system is the labour theory of value expounded in Volume I. The way in which this is established is simple. We have to explain why two commodities exchange in a certain ratio, for example: "why one quarter of wheat = x cwt. of iron." This equation, says Marx, "tells us that in two different things, namely, in one quarter of wheat and in x cwt. of iron, there exists in equal quantities something common to both. They are, therefore, equal to a third something, which differs in essence from them both" (p. 5).* Now, says Marx, exchange values are different from use-values, we must therefore disregard use-values, and we must also disregard all the physical, chemical, or other natural properties of commodities which

* These and other quotations from Volume I are taken from the translation by Eden and Cedar Paul (George Allen & Unwin, Ltd., 1928).

give them value in use. The result is that "when use-values of commodities are left out of the reckoning, there remains but one property common to them all, that of being products of labour" (p. 6). Thus, labour is the measure of value in exchange.

Nothing could be simpler. We start with commodities, which are the product of labour. We ignore anything which has value but is not a product of labour. We ignore every circumstance concerning a commodity except that it is a product of labour. So having eliminated everything else we conclude that value is measured by labour. This is an example of so-called Marxian "dialectic."

Marx proceeds: "A use-value or a good [useful article] has value solely because abstract human labour has been embodied or materialised in it. How are we to measure this value? In terms of the quantity of 'value-creating' substance it contains—the quantity of labour. This is itself measured by its duration; and labour time, in turn, is measured by hours, days, etc." (p. 7).

Here Marx must get over the difficulty that even in making the same thing workers are unequally productive and that in practice unequal duration of labour is required to make identical articles, having identical values. This difficulty is bridged by saying that the quantity of labour which determines exchange value is "the average labour time or the socially necessary labour time" (p. 7). Then there is the difficulty that highly skilled labour may on the average produce much more value in a given time than unskilled labour. This presents no obstacle to Marxian dialectic. "Skilled labour counts only as intensified, or rather multiplied, simple labour, so that a smaller quantity of skilled labour is equal to a larger quantity of simple labour" (p. 13). He adds that "experience shows that skilled labour can always be reduced in this way to the terms of simple labour," but he ignores that experience has shown that this reduction is made by reference to the *value* of the labour. To find the multiplier which reduces skilled labour to simple labour, the idea of value is brought in at the back door, and so the whole explanation involves reasoning in a circle.

THE THEORY OF SURPLUS VALUE

The next step is to follow how the theory of surplus value is built on the labour theory of value. The value of a commodity, according to Marx, depends upon the quantity of labour time required to produce it. If the commodity is produced by working upon a raw material which has already been produced, the value of the raw material depends upon the amount of the labour necessary to produce it. This value passes on to the finished article. To it is added the quantity of labour required to produce the finished article from the raw material.

Thus the capitalist buys his raw materials at a value which is determined by the labour time necessary to produce them, he buys the labour time necessary to work them up, and sells the finished article at a value which represents the labour time required for producing the raw materials

plus the labour time required to work them up into finished articles. Whence then comes his "profit" or surplus value? Marx's answer is simple. The capitalist buys his labour time not at the value which it adds to production, but at a less value. He pays the labourer only sufficient to keep him in existence. He buys labour at its cost of production, the amount necessary to feed and clothe the labourer.

Or, to put it in another way, if six hours working time per day is sufficient to maintain the labourer (the "necessary working time"), and if he works for ten hours a day, the capitalist pays him a wage which represents the value of six hours labour and appropriates the balance (the "surplus working time") for himself. Thus, surplus value is the equivalent of "surplus working time." It is unpaid working time. In this consists the exploitation of labour.

Granted its premises, the theory is simple and clear-cut; but a very important question remains. Why does the labourer consent to sell his labour power to the capitalist for less than the amount of value which his labour creates in production? Marx is not unaware of this difficulty. He says: "We have seen how money is transformed into capital; how, by means of capital, surplus value is made, and how out of surplus value more capital is made. But the accumulation of capital presupposes surplus value; surplus value presupposes capitalist production; capitalist production presupposes the existence of considerable quantities of capital and labour power in the hands of the producers of commodities. The whole movement, therefore, seems to turn in a vicious circle, out of which we can only make our way by the assumption that, as a prelude to capitalist accumulation, there has been a process of primary accumulation (Adam Smith terms it 'previous accumulation')—an accumulation which is not the outcome of the capitalist method of production, but the starting-point thereof" (p. 790).

The last two chapters of Volume I are devoted to elucidating this problem. "Money and commodities," says Marx, "are not, from the first, capital, any more than the means of production, and the means of subsistence are. They have to be transformed into capital." The necessary conditions are that on the one hand "there must be the owners of money, of the means of production, and of the means of subsistence, who desire by the purchase of others' labour power, to increase the sum of the values they own. On the other hand, there must be free workers, the sellers of their own labour power, and therefore the sellers of labour. They must be 'free' workers in a double sense. First of all they must not themselves form a direct part of the means of production, must not belong to the means of production, as do slaves, serfs, etc. Secondly, the means of production must not belong to them, as the means of production belong to peasant proprietors" (p. 791).

The foundation of the capitalist system in fact is the expropriation of the people from the land. "In the history of primary accumulation we must regard as epoch-making all revolutions that acted as stepping stones for the capitalist class in course of formation. Above all, this applies to those moments when great masses of human beings were suddenly and forcibly torn away from the means of subsistence, and hurled into the labour market as masterless proletarians. The expropriation of the agricultural producers, the peasants, their severance from the soil, was the basis of the whole process " (p. 793).

The final chapter of Volume I brings in the experience of the colonies as proof that the exploitation of the worker is only made possible by his expropriation from the land. Property in itself is not necessarily a means of exploitation. " In political economy there is a current confusion between two very different kinds of private property, one of which is based on the producer's own labour, whilst the other is based upon the exploitation of others. Not only do the economists forget that the latter kind of property is the direct antithesis of the former ; they forget, likewise, that the latter can only grow on the tomb of the former " (p. 848).

Referring to the writings of E. G. Wakefield on colonization, Marx says : " First of all, he discovered that in the colonies the ownership of money, the means of subsistence, machinery and the other means of production, do not suffice to stamp the owner as a capitalist unless there also exist, as correlative, wage workers, other persons who are compelled to sell themselves ' voluntarily.' He made the discovery that capital is not a thing, but a social relation between persons, and a relation determined by things " (p. 849). Here Marx makes it clear that private ownership of capital in the popular sense (produced means of production) does not constitute capitslism in the Marxian sense, *i.e.*, a system under which people are exploited, and that capital or capitalism in his sense is that social relation in which the mass of the people are deprived of land. A few pages later he says : " We have seen that the expropriation of the masses of the people from the land forms the basis of the capitalist method of production. The essence of free colonization, on the other hand, consists in this, that the bulk of the land is still public property, and that every settler on it can, therefore, turn part of it into his private property and individual means of production, without interfering with subsequent settlers when they wish to perform a like operation " (p. 852). Henry George solved the problem of how to make every country a perpetual colony by sharing the value of land equally between all its inhabitants, thus making it impossible for land to be held out of use, and men compelled to sell themselves for a subsistence wage.

Marx concludes this volume by saying : " Here, however, we are not concerned with colonial conditions. The only thing that interests us is that the political economy of the old world has discovered in the new world, and has then proclaimed on the housetops, a great secret : that the capitalist method of production and accumulation, in short, capitalist private property, demands as its fundamental condition the annihilation of self-earned private property ; in other words, the expropriation of the worker" (p. 858). [In the translation by Moore and Aveling the following words are added : " —that is, the exclusion of labour from the land."]

THE CONTRADICTION

It will be seen from the explanation of the Marxian theory of surplus value given above, that it is only the money or capital which the capitalist expends in buying labour power which yields him surplus value. The amount which he lays out in purchasing materials (including machinery and other articles usually designated capital) is merely returned to him out of the price of the finished product without addition. Marx expressly recognizes this and in consequence he calls the latter " constant capital " and the former " variable capital."

Thus, for example, let us assume that the " rate of surplus value " is 50 per cent, that is to say, that the value of the labour power is 50 per cent greater than the amount which the capitalist has to pay for it. Then, if a capitalist conducts his business with 80 constant capital and 20 variable capital, he would obtain 10 units of surplus value, and his rate of profit on his total capital would be 10 per cent. But if he could conduct it with 60 constant capital and 40 variable capital, he would obtain 20 units of surplus value, and his rate of profit would be 20 per cent on his total capital. It would, therefore, appear that, if the Marxian theory were true, capitalists would endeavour to reduce the amount of constant capital and increase the amount of variable capital employed, and we should expect also that competition would lead to the ratio of variable capital to constant capital being uniform throughout all branches of production.

We know that in practice the ratio of the amount of " variable capital " to the amount of " constant capital " required in different branches of production varies. Some require much " constant capital " in proportion to the amount of labour employed, and others little. If it is only the " variable capital " which yields surplus value to the capitalist, why should he be content to employ large quantities of " constant capital " which yield him no surplus value ? In fact, we see in the world as it is that the owner of capital draws interest for it whether it takes the one form or the other, and the capitalist makes no endeavour to maximize the amount of " variable capital " he employs.

This is the paradox, or contradiction, in the Marxian system, as expounded in the first volume of *Capital*. He says expressly : " This law obviously conflicts with all experience based upon the appearance of things " (p. 317). But his followers were left without his explanation until the publication of the third volume of *Capital* some eleven years after his death. They then found to their surprise that the theory expounded with such elaboration and prolixity in Volume I was stood on its head in Volume III ; that commodities, instead of being sold or exchanged in the market according to their " values " as explained by the labour-time theory, were sold according to their " prices of production," and that the capitalists instead of getting a rate of surplus-value measured in relation to the amount of variable capital employed actually get a rate of profit calculated according to the total capital employed. Although the ratio of variable capital to constant capital varies in different branches of production (what Marx calls variation in the "organic composition" of the capitals invested), instead of the rates of profit being different, as the theory of surplus value implies, they "are equalized by means of competition into a general rate of profit, which is the average of all these special rates" (Vol. III, p. 186). Why this should happen is nowhere explained.

The "cost price" of an article in Marx's terminology is made up of the price of the means of production used up in making it plus the price of the labour power employed. And its "price of production" is "its cost price plus that share of average profit on the total capital invested (not merely consumed) in its production" (p. 186). Thus Marx's price of production "is, as a matter of fact, the same thing which Adam Smith calls *natural price*, Ricardo *price of production*, or *cost of production*, and the physiocrats *prix nécessaire*" (Vol III, p. 233). All that remains of the theory of surplus value is the assertion (Vol. III, p. 204) that the total of all the "profits" of all the capitalists is equal to what would be the total of all the "surplus values" if the commodities had sold at their labour-time values instead of selling at their "prices of production"—a statement which is incapable of any form of proof, and which must for ever rest upon the pontifical statement of the master.

The publication of the third volume filled devout Marxians not merely with surprise, but also with horror; it is not unnatural that its circulation has remained extremely small, and that there is no attempt to popularize it by means of extracts and abridgments, as there has been with the first volume. This is all the more sad, as the later volume contains, as we shall see, an interesting discussion of land rent, which would have made a fitting pendant to the discovery in the first volume that the exploitation of labour depends upon the expropriation of the labourer from the land.

THE THEORY OF LAND RENT

Part VI of the third volume of *Capital* is headed: "Transformation of Surplus Profit into Ground-Rent," and occupies 227 pages in the translation by Ernest Untermann (published by Charles Kerr & Coy., Chicago, from which the quotations below are taken).

In the chapter dealing with "preliminaries" Marx refers back to what he has said in the first volume, that the capitalist mode of production presupposes free labourers (*i.e.*, no longer bondsmen, serfs, or slaves) and, "on the other hand, the expropriation of the mass of the people from the land." By "capitalist production," it will be remembered, he means a form of society in which people are exploited, in which surplus value arises. He adds: "To this extent the monopoly of landed property is a historical premise, and remains the basis, of the capitalist mode of production, just as it does of all other modes of production, which rests on the exploitation of the masses in one form or another" (p. 723).

Thus it appears that Marx considers that *every* form of exploitation

is based not merely historically but as a living fact upon land monopoly. This is not a mere chance remark, for the same thing is said over and over again. "The private ownership of the land, and with it the expropriation of the direct producers from the land—the private property of some, which implies lack of private property on the part of others—is the basis of the capitalist mode of production" (p. 944). On p. 956 he refers to the "fact that large property in land is a prerequisite and condition of capitalist production, seeing that it separates the labourer from the means of production." "The fact that the earth received the form of private property is a historical requirement for this mode of production" (p. 1029).

The treatment and the numerous illustrations appear to relate mainly to agricultural land, but it is evident that Marx considers that the same principles apply to all land. "We include also water, etc., in the term land, in so far as it has an owner and belongs as an accessory to the soil." "Landed property is conditioned on the monopolization of certain portions of the globe by private persons, for the purpose of making these portions the exclusive spheres of their private will and keeping all others away from it" (p. 722). He makes it clear also that in speaking of the land owner he regards him only in that capacity, separating his position in that respect from his position as an owner of capital. "The renting capitalist pays to the land owner, the owner of the soil exploited by him, a sum of money at definite periods fixed by contract, for instance annually (just as the borrower of money capital pays a fixed interest), for the permission to invest his capital in this particular sphere of production. This sum of money is called *ground-rent*, no matter whether it is paid for agricultural soil, building lots, mines, fishing grounds, forests, etc." (p. 725).

LAND DISTINGUISHED FROM CAPITAL

He goes on to explain that "capital may be fixed in the soil, may be incorporated in it either in a transient manner, as it is by improvements of a chemical nature, fertilization, etc., or more permanently, as in drainage canals, irrigation works, levelling, farm buildings, etc." This capital may be designed land-capital, and it belongs to the category of fixed capital. "The interest on the capital thus incorporated in the soil and the improvements thus made in it as an instrument of production may form a part of the rent paid by the capitalist farmer to the land owner, but it does not constitute that ground-rent, strictly speaking, which is paid for the use of the soil as such, whether it be in a natural state or cultivated" (p. 725). Where permanent improvements are made in the land by the tenant they revert to the owner of the land on the expiration of the lease, and when a new contract is made the land owner "adds the interest for the capital incorporated in the soil to the real ground-rent" (p. 726). "This is one of the secrets of the increasing enrichment of the land owners" (p. 726), and it "is at the same time one of the greatest obstacles to a rational development of agriculture, because the capitalist renter avoids all improvements and expenses, for which he cannot expect any returns during the time of his lease " (p. 727). He observes that the reversion of the improvements to the land owner appears even more plainly " when land is used as building lots." " The fact is that if this system is permitted to exercise its full effects for some time longer, the entire ownership of houses as well as of country real estate will be in the hands of the great landed proprietors " (p. 728).

Marx thus emphasises the essential distinction between ground-rent and interest, and expressly disagrees with the " harmony economists," such as Carey, who " have tried to represent ground-rent . . . as identical with interest " and so " obliterate the antagonism between landlords and capitalists " (p. 729). He also exposes the attempt to confuse ground-rent with interest by treating ground-rent as interest on the purchase price of the land. The purchase price is the " capitalization of the ground-rent " actual or anticipated. " It is in fact the purchase price, not of the land, but of the ground-rent yielded by it, calculated on the ordinary rate of interest. But this capitalization of rent has for its premise the existence of rent, for rent cannot be explained and derived from its own capitalization. Its existence, independent of its sale, is rather the condition from which the enquiry must start " (p. 730). Hence it follows " that the price of land may rise or fall inversely as the rate of interest rises or falls, if we assume that ground-rent is a constant magnitude " (p. 730). As the rate of interest has a tendency to fall in the course of social progress " it follows that the price of land has a tendency to rise, even independently of the movement of ground-rent " (p. 731). He observes further that the existence of a purchase price or value of land is used as a justification of private property in land, but " the same reason would, in that case, serve also to justify slavery " (p. 732).

Although the rate of interest has a tendency to fall " the amount of ground-rent (and with it the value of the soil) develops with the progress of social advance as a result of the total labour of society " (p. 746). Moreover, as capitalist production and the production of surplus-value develops, so " does property in land acquire the faculty of capturing an ever-increasing portion of this surplus-value by means of its land monopoly " (p. 748).

He concludes this chapter by repeating that " in proportion as the conditions develop in which agricultural products develop as commodities (values) . . . so does an increasing portion of the surplus-value assume the form of ground-rent " (p. 749).

DIFFERENTIAL RENT

The next chapter is devoted to general remarks on differential rent, which Marx illustrates by the case of a waterfall which supplies power to a manufacturer at a less cost than other manufacturers have to pay using steam engines. If the cost price in the factory driven by water power is £90 as compared with £100 in other competitive factories, then this surplus falls into the hands of the owner of the waterfall as £10 of ground-rent, and " it would not matter if this capitalist should be the

owner of the waterfall. He would in that case pocket the surplus profit of £10 in his capacity as land owner, not in his capacity as an industrial capitalist, just because this surplus is not due to his capital as such, but to a limited natural power separate from his capital, over which he has command, because he has a monopoly of it. And so it is converted into ground-rent " (p. 757).

From this illustration Marx draws a number of general conclusions of which the following are the most important. Ground-rent " is due to the greater relative fertility of definite individual capitals invested in a certain sphere of production, as compared with investments of capital which are excluded from these exceptional and natural conditions favouring the productivity " (p. 757). " This surplus profit would also exist if private property did not prevail." Private property in land " is the cause, not of the creation of this surplus profit, but of its transformation into ground-rent " (p. 758), that is to say, of its appropriation by the owner of the land.

Elsewhere Marx observes that after the abolition of the capitalist mode of production " the determination of value continues to prevail in such a way that the regulation of the labour time and the distribution of the social labour among the various groups of production, also the keeping of accounts in connection with this, become more essential than ever " (p. 992). It would be interesting to know whether, and to what extent, his followers in Russia in keeping their accounts have taken account of the ground-rent which must inevitably arise from unequal situations and unequal natural endowment of land.

THE FIRST FORM OF DIFFERENTIAL RENT

The next chapter deals with what Marx calls " the first form of differential rent." He begins by saying : " Ricardo is quite right when he writes the following sentences : ' Rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour.' . . . He should have added, ' On the same quantities of land ' so far as ground-rent and not surplus profit in general is concerned " (p. 760). Thus ground-rent arises " when two equal quantities of capital and labour are employed on equal quantities of land with unequal results."

A little later he says : " Ricardo is also right in the following sentence, provided it is limited to differential rent : ' Whatever diminishes the inequality in the produce obtained on the same or on new land, tends to lower rent ; and whatever increases that inequality, necessarily produces an opposite effect and tends to raise it ' " (p. 761). The two general causes of unequal results are : Fertility and the Location of the Lands ; and fertility and location " may work in opposite directions " (p. 762). He also points out that another cause of inequality is " the distribution of taxes, according to whether it works uniformly or not ; it always has the latter effect, for instance in England, when it is not centralized and when the tax is levied on the land, not on the rent "

(p. 761). This appears to be a recognition of the distinction between taxes levied according to area or use of land and taxes levied according to its value.

We need not follow the details of Marx's examination of differential rent under varying conditions of cost of production and market price of the product. They lead to the general and familiar conclusions " that the price of production of [on] the worst soil, which yields no rent, is always the regulating market price " (p. 770) and that differential rent of the first class arises " from the limited area of the best lands, and from the circumstance that equal capitals must be invested in unequal soils, which yield unequal products with the same capital " (p. 771).

THE SECOND FORM OF DIFFERENTIAL RENT

The next five chapters are devoted to what Marx calls " the second form of differential rent." He commences with the question : " But could it make any difference, perhaps, whether masses of capital of unequal productivities are invested successively on the same piece of land ? " (p. 787). The analysis is somewhat prolix and tedious, but the result of it may be summarized quite briefly.

It is an obvious fact that in practice we do not find equal quantities of capital and labour employed on lands of differing productivity. On the contrary, the best land usually has more labour and capital employed on it than on an equal area of poorer land. The reason is that it will pay the capitalist to go on employing more capital and labour on the better land until he reaches the point (to use modern terminology) at which the last dose of capital and labour produces no more than would be obtained by employing that amount of capital and labour upon marginal land (the poorest land in use). When that point is reached in respect of every piece of land a condition of equilibrium is attained, and it is a matter of indifference whether a little more capital and labour is employed on marginal land or on better land. The interest on capital and the wages of labour are equalized by competition, and cannot in any case be higher than the amount earned by the last dose of capital and labour whether applied to marginal land or to better land. The surplus above this marginal return earned by the earlier doses of capital and labour on the better land is rent. This explains why the central areas of cities yield very high rents, or, as Marx puts it, " the more the capitalist mode of production develops, the more develops also the concentration of capital upon the same area of land, and the higher rises the rent calculated per acre " (p. 809). And Engels in an interpolating passage adds : " The more capital is applied to a certain soil, and the higher the development of agriculture and of civilization in general in a certain country, the more do rents rise per acre and per total amount of rental, and the more immense becomes the tribute paid by society to the great landowners in the form of surplus profits. . . . This law explains the wonderful vitality of the class of great landlords " (p. 841). Engels, however, forgetting that rent is determined by location as well as by fertility, goes

on to indulge in the rash prophecy that there are enough prairie lands left " to ruin all the great landlords of Europe and the small ones into the bargain " (p. 843).

It is a convenient method of economic analysis to examine the two forms of differential rent separately, but in practice in any except the rudest society they must inevitably subsist together.

We can now return to the observation which Marx makes on his first quotation from Ricardo. If we consider a piece of land above the margin of production and assume that it is fully developed so that the last dose of labour and capital yields no more than the same amount of labour and capital would yield on marginal land, then it is true that the rent of the superior land is equal to the difference between what the whole quantity of labour and capital employed on it would yield as compared with what the same quantity of labour and capital would yield on an area of marginal land sufficiently large to employ that quantity at the normal rates of interest and wages. In this sense Ricardo's statement is a correct and absolutely general statement of the law of differential rent, and does not require, and indeed is falsified by, the addition of the qualifying words, " on the same quantities of land."

ABSOLUTE GROUND-RENT

The last part of Marx's analysis of rent is devoted to the question of " absolute ground-rent," that is to say whether it is possible for the worst soil in use to yield a rent. He prefaces the discussion by pointing out that the existence of absolute ground-rent would not interfere with the law of differential rent, but would simply mean that the amount of the absolute ground-rent would be added to the rent of each plot of superior land. He also points out that absolute ground-rent cannot be inferred from cases in which the tenant pays for marginal land a rent which is a deduction from normal wages or interest. There is no true rent in such cases but only " lease money," because true rent presupposes that normal wages and interest are paid. Neither can absolute ground-rent exist where all land has not been appropriated and brought under private ownership (as in the colonies), for in that case evidently one could obtain marginal land without paying rent for it (p. 878).

The question is, where land is all privately owned, can absolute ground-rent emerge ? Marx says that it can. His reasoning is tortuous and complicated, being embarrassed by the contrast which arises in his system between value and price of production (to unravel which is one of the objects of third volume of *Capital*) and by his theory of surplus value. But the essence of it appears to be that absolute ground-rent can only arise when the owners of land prevent land from being used. " The mere legal property in land does not create any ground-rent for the landlord. But it does give him the power to withdraw his land from exploitation until the economic conditions permit him to utilize it in such a way that it will yield him a surplus, whenever the land is used either for agriculture proper or for other productive purposes, such as buildings, etc. He cannot increase or decrease the absolute quantity of its field of employment, but he can do so with its marketable quantity. For this reason, as Fourier has already remarked, a characteristic fact in all civilized countries is that a comparatively considerable portion of the land always remains uncultivated " (p. 879). If Marx had elaborated this idea, and if he had seen that expectation of future increases in land value provides the economic incentive to holding land out of use, he might have anticipated Henry George's theory of land speculation. His own conclusion is that " absolute rent can only be small under normal conditions " (p. 896).

URBAN AND MINING RENTS

The second last chapter of this part of the volume contains some miscellaneous observations upon the rent of building plots, mining land, and other non-agricultural land. He says : " Differential rent appears every time and follows the same laws as agricultural differential rent, wherever rent exists at all " (p. 897). The rent of mining land " is distinguished, first, by the overwhelming influence exerted by location on differential rent (an influence which is very considerable in vineyards and in building lots of large cities) ; secondly, by the palpable passiveness of the owner " (p. 898). Of the monopoly prices exacted for land in cities he says, " poverty is for house rent a more lucrative source than the mines of Potosi ever were for Spain " (p. 898). " One section of society thus exacts from another a tribute for the permission of inhabiting the earth " (p. 898). " The demand for building lots raises the value of the land as a building ground and foundation, and the simultaneous demand for elements of the terrestrial globe serving as building materials grows with it " (p. 899). He also remarks " that it is the ground-rent, and not the house, which forms the actual object of building speculation in rapidly growing cities " (p. 899).

He concludes by pointing out that the law of diminishing returns (though he does not use this phrase) applies not only to agriculture but to other uses of land. " It is true that, compared to scattered handicrafts, great industries may concentrate large productive plants in a small space. But, even so, a definite space is always required at any stage of development, and the building of high structures has its practical limits. Beyond these limits any expansion of production demands also an extension of the land area " (p. 907).

The last chapter, entitled "Genesis of Capitalist Ground-rent," is mainly historical, dealing with rents in kind, labour rents, and share cropping, and calls for no special attention.

LAND MONOPOLY THE BASIS OF CAPITAL MONOPOLY

In his criticism of the Gotha programme of the Social Democratic Party of Germany (written in 1875, and reprinted in the *International Socialist Review*, May, 1908) Marx took specific exception to the statements that " labour is the source of all wealth and all culture " and that

" in the society of to-day the means of labour are monopolized by the capitalist class." In reply he said : " Labour is not the source of all wealth. Nature is just as much the source of use-values (and of such, to be sure, is material wealth composed) as is labour, which itself is but the expression of natural forces, of human labour power. . . . In the society of to-day, the means of labour monopolized by the landed proprietors, monopoly of landed property is even the basis of monopoly of capital, and by the capitalists."

Similarly in an essay on *Property in Land* (quoted in *Agrar Probleme*, Moscow, Vol. V, p. 48, from unpublished material in the Marx-Engels-Lenin Institute) he wrote :—

" I maintain on the contrary : the future will decide that the land can only be national property. The giving over of the land to the association of land workers means delivering the whole of society into the hands of one single class of producers. The nationalization of the land will bring about a complete change in the relations between labour and capital and will result in the final end of capitalist production, both industrial and agricultural. Then indeed will class differences and privileges disappear, together with the economic basis from which they have sprung. Society will become an association of free producers. Living on the labour of others will become entirely a thing of the past. There will no longer be a government or State whose existence is separated from society itself. Agriculture, mining, manufacture, in short all the branches of production, will become rightly organized. The national centralizing of the means of production will form the natural foundation of a society which consists in the free association of the various classes of producers. This objective opposes the great economic movement of the nineteenth century."

It is, therefore, of a piece with much of Marx's thought that the first demand of the Communist Manifesto (1847) was : " Abolition of property in land and application of all rents of land to public purposes."

LITERATURE

For a fuller examination of the Marxian theory of value : Max Hirsch's *Democracy* v. *Socialism*. (Hirsch seems to have been acquainted only with Volume I of *Capital*.)

For the contradiction in the Marxian theory : Eugen von Böhm-Bawerk's *Karl Marx and the Close of his System.*

For the problem of accounting in a Communist State run on Marxian lines—a subject which space has not permitted me to deal with here : Ludwig von Mises' *Socialism.*

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