

CHAPTER XI

THE COMPONENT PARTS OF SURPLUS-VALUE

THE foregoing examinations prove, that surplus-value is not a homogeneous body, as Socialism posits, but a compound of several elements, differing widely in character, viz. :—

Natural Rent, the result of the extension of labour in space.

Natural Interest, the result of the extension of labour in time.

Spurious Rent, arising from the creation by the State of private ownership in land.

Spurious Interest, arising from the creation by the State of other monopoly-rights.

Profit, a secondary result, arising from the creation by the State of land and other monopolies.

In their origin, these five integral parts of surplus-value fall thus into two categories, viz. those arising from natural law, and those arising from the corporate action of human society. In their influence upon society and the distribution of wealth, however, they fall into three classes, viz. :—

Natural Rent, as being no part of the product of individual labour, and, therefore, forming no deduction from individual wages, but being part of the common labour and wages of the whole community.

Natural Interest, as being no part of either individual labour or of that of the community as a whole, but a natural increment which the capitalist acquires only in so far as he renders services by exchanging goods of present

high utility for goods which will acquire such utility at a future date.

Spurious Rent, Spurious Interest, and Profit, being part of the product of individual labour and deducted from the wages of labour without any service being rendered in return.


Arising from natural law, natural rent and natural interest never can become the property of individual labourers as labourers. Natural rent must always go to the owner of land, and natural interest to the owners of capital. No action which human societies may take can alter the immutable laws of nature. All that human enactments can do, is to change the ownership of land and capital, so that rent and interest may be reaped by the new owner or owners. When, therefore, Socialists demand the abolition of rent and interest, they demand an impossibility. The adoption of their industrial programme to its fullest extent, the ownership of all land and capital and the conduct of all industrial operations by the State, would utterly fail to abolish rent and interest ; all it could do would be to change the incidence of ownership in rent and interest.

The rent of all agricultural and mineral land, as well as that of factory sites, would pass into the hands of the State by virtue of their being used as well as owned by the State ; but unless the State continued to charge rent for the more desirable residential areas, such rent would still be received by those private persons who were permitted to use them, in the advantage which they would enjoy over others.

Interest would similarly continue to arise, and if the State did not itself absorb it in some way for the equal benefit of all—which will be shown to be impossible—it would pass into the hands of some of the people only, those engaged in the primary stages of every productive process. Moreover, while the latter method would eventually result in a reduction of the wealth which could be distributed to and consumed by the mass of the people, the former, the charging of interest by the State, even if it could be done, would not necessarily lead to any increase of wealth available for the consumption of the whole people. For with

growth of population arises the necessity for a continuous increase in the amount of capital. This increase is at present provided mainly out of that part of the annual product of industry which constitutes surplus-value. If the State becomes the only capitalist, the annual increase of capital will have to be provided for out of the annual product of industry just the same, and may, not unlikely, be equal to the sum of natural interest now going to the owners of private capital. Even, therefore, if the total product of the national industry were not diminished by the substitution of State officials for private organisers of industry, the deduction of new capital from this product would leave no more, or little more, available for general consumption in the most favourable but impossible case, the reaping of interest by the State. When, however, the State leaves interest in the hands of some of the people, and at the same time prevents them from using it as capital, which under Socialism is the only alternative, the deduction of a further amount from the product of industry for providing the necessary new capital must by so much reduce the amount of wealth available for distribution and consumption, and must, therefore, largely reduce the well-being of all labourers engaged in the final processes of production.

It has been shown that the landowner, receiving rent for the use of opportunities which are available without his existence, and to the creation of which he has either not contributed at all or only as much, when a labourer, as every other labourer, has not rendered and does not render any service for the wealth which he is allowed to appropriate. On the other hand, it has been made equally clear that the capitalist, as capitalist, and apart from any services which he may render in the actual organisation of industry, receives natural interest for services which he renders, and which are of the utmost importance. In subsequent chapters it will be shown that such service cannot be rendered by State officials with similar efficiency, if at all. Apart from this question, however, seeing that such services are rendered, the enjoyment of the reward by those who render them fundamentally differentiates natural



interest from natural rent. The possession of the latter by private persons, its withdrawal from the common possession of the social body as a whole, constitutes a series of ever-recurring and increasing acts of injustice to the mass of the people. The enjoyment of natural interest by private persons withdraws it from no one who has any title to it, and therefore inflicts no injustice.

Moreover, while it has been shown that the private possession of capital and interest inflicts no injury on the social body, it has been equally shown that the private ownership of land and the private possession of rent, as well as that of other monopoly rights and tributes, does inflict such further injury by the augmentation of surplus-value through deductions from the wages of individual labourers, viz. Spurious Rent, Spurious Interest, and Profit. All these have been shown to arise, not from private ownership of capital and the private conduct of non-privileged industries, but from the creation by the State of private ownership in land and other monopoly-rights; and, further, it has been shown that, while rent increases with the progress of society, the rate of interest declines as social conditions are improved.

For all these reasons a sharp distinction must be drawn between these two kinds of property, their social influence and ethical validity. While private property in one is wholly justified, not injurious, and may be of incalculable value to the wellbeing of society, private property in the other is wholly unjustifiable, injurious in itself, and productive of vast secondary injuries. On economic grounds, those mainly considered in the foregoing examinations, therefore, the appropriation by the State of rent—which, as will be shown, carries with it the abolition of private ownership of land, but not that of its private possession and use—and of those industries which cannot be carried on by private persons without the grant of special privileges by the State, as well as the abolition of all other monopoly-rights, is urgently called for by the vital interests of society; while, on the same ground, the appropriation of capital and interest by the State, and the State conduct of non-privileged industries, is wholly indefensible.

That ethical considerations lead to the same conclusions will be more fully shown in the succeeding division of this work, Part III.

The economic conceptions, which serve as the scientific basis for the industrial proposals of Socialism, are, therefore, shown to be unscientific and untenable. Distinctions which are of vital importance are disregarded ; accidental similarities are mistaken for proof of congruity ; things essentially different are treated as of the same kind, and, as a consequence, the cause of existing economic evils is sought for in a false direction. The defects from which these conceptions suffer and which invalidate them are :—

1. Drawing no distinction between real capital, the produce of labour from land, and mere monopoly-rights, the creation of legislative enactments.

2. Regarding surplus-value as a homogeneous mass, consisting wholly of tribute levied from the product of labour.

3. Regarding productive labour as the only title to the possession of wealth, thus disregarding the fact that the voluntary transfer of wealth by its producer for service rendered gives a valid title to him who has rendered the service.

4. Regarding all capital as the result of theft, and attributing the power to exploit labour to the private possession of capital.

5. Regarding the present pathological condition of competition as its physiological condition, a conception the erroneous nature of which will be further demonstrated in the next chapter.