

MARX'S THEORY OF GROUND RENT: A CRITICAL ASSESSMENT

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I. INTRODUCTION

Marx's theory of ground rent, a relatively neglected but important part of the main body of his massive three-volume *Capital*, has, in recent years, come in for some much needed (and deserved) scrutiny and analysis in the extant literature (Ball, 1977; Brewer, 1984; Bryan, 1990; Fine, 1979; Harvey, 1982; Howard and King, 1985; Mandel, 1971; Shoul, 1967; Wolff, 1984). Although it is no longer possible to complain, as Samuelson (1959) once did, that "in reading a thousand pages on the labor theory of value, I can remember but one author [Lionel Robbins] who comes close to emphasizing that land not merely capital vitiates a labor theory of value" (p. 8), it is still the norm for highly regarded textbooks in the history of economic thought to scarcely mention Marx's own theory of differential rent, let alone absolute rent (see, e.g., Ekelund and Hebert, 2004; Hunt, 2002).

Most of Marx's writings on rent are to be found in Vol. III of *Capital* and in Part II of *Theories of Surplus-Value*, where he discusses not only Ricardo's theory of rent, but also that of other prominent classical economists such as Adam Smith, Karl Rodbertus and James Anderson. To be sure, these writings were painstakingly assembled and, in some cases, extensively edited and published by F. Engels (*Capital*, Vol. III) and K. Kautsky (*Theories of Surplus Value*) after Marx's death, so it is uncertain how Marx would have prepared them for publication had he lived one or two more decades. Still, they constitute the basis of Marx's extensive and difficult writings on the subject and were clearly motivated by the fact that, in Marx's (and Ricardo's) time, rent was a major source of income and, "it played a prominent role in the development of economic theory [so] Marx . . . had to show how rent could be explained in terms of his [value] system" (Brewer, 1984, p. 170).

Several of the above-mentioned investigators, both sympathetic and critical, have weighed in on the relative merits and logical consistency of Marx's theory of both differential and absolute rent within his overall theory of value. Marx's theory of differential

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rent, in its broad contours, was based on the Ricardian theory of rent, but, as shown below, it contained unique economic insights and corrections, both in his discussion of rent paid on the extensive and intensive margin, that not only supplemented but extended Ricardo's theory of differential rent in novel and important ways.

Marx, however, considered his analysis of absolute rent to be his most important contribution to the general theory of rent, because it showed in no uncertain terms that ground rent is a socially determined category that arises from a historically conditioned process that precedes (and confronts) capital as it emerges from the womb of simple commodity production (early capitalism). Furthermore, contrary to Ricardo's claim, Marx attempted to show that the payment of absolute rent does not necessarily contradict the labor theory of value in competitive capitalism. Some commentators (Howard and King, 1985) believe that Marx's theory of absolute rent is "fatally flawed" because it is based on a number of questionable assumptions and empirical falsehoods, not the least of which are the transformation of labor values into prices of production and the assumed technical backwardness of the agricultural sector in Marx's time. As discussed below, there is merit in some of these criticisms, particularly those based on the so-called transformation problem, given that Marx's proposed "solution" to the problem was clearly incorrect. However, as discussed below, Seton (1957) demonstrated in a seminal paper that the (transformation) "problem admits of a uniquely determined solution" that is consistent with "Marx's conception of the transformation process, and the formal inferences he drew from it" (p. 59).

More importantly, perhaps, Marx's theory of absolute rent also contains within it the seeds of a theory of monopoly which is consistent with his general theory of capital and the socially determined and historically conditioned character of his economic concepts, i.e. his materialist conception of history. In fact, the argument is made below, by no means a novel or necessarily unique one, that landowners, by virtue of their monopoly "over definite portions of the globe . . . to the exclusion of all others" will continue to receive a payment for all their land, including the worst land, even if agricultural productivity is raised to the level of manufacturing industry. Absolute rent *per se* will not disappear in the course of capitalist development, but it will assume a different economic form, viz., the form of monopoly rent.

This critical but sympathetic essay therefore aims to provide the reader with an assessment of Marx's relatively neglected theory of (absolute) ground rent, both its strengths and weaknesses, by bringing together in a coherent manner his scattered observations and arguments contained primarily in *Capital*, Vol. III and *Theories of Surplus Value*, Vol. II. It also reviews the relevant secondary literature which suggests that within Marx's theory of rent is an embryonic theory of monopoly from which, Marxists and non-Marxists alike, can draw important insights into the history of economic thought and the workings of developed capitalism. This paper is organized as follows. Section II provides an overview of Marx's theory of differential rent and compares it with that of Ricardo, with particular emphasis on Marx's discussion of differential rent II and whether nature is "productive" of exchange value. Section III discusses Marx's theory of absolute rent in light of recent criticisms by prominent commentators

and suggests that the binding constraint on whether rent is paid on the poorest land is not the technical backwardness or lower productivity of agriculture *per se* but a social relation, viz., the monopoly created by the private ownership of land. Section IV summarizes the main points and suggests some avenues for future research.

II. RICARDO AND MARX ON DIFFERENTIAL RENT

In his *Principles of Political Economy and Taxation*, David Ricardo showed that the existence of rent in no way invalidated the labor theory of value because it was essentially a price-determined phenomenon. For Ricardo, rent was of a purely differential nature and it arose because agricultural products, unlike manufactured goods, were produced not by the average conditions of production (as determined by the quantity of socially necessary labor), but by the technical conditions of production on the poorest or least fertile land. Ricardo assumed (erroneously as it turned out) that “in the progress of population,” the expansion of agriculture takes place from better to worse plots of land and that the price of corn would rise in relative or comparative value as a result of the greater quantity of direct and indirect labor (e.g. in the form of machinery) expended on the inferior lands (Ricardo, 1817, pp. 35 and 38).¹ In his words, “The value of corn is regulated by the quantity of labour bestowed on its production on that quality of [inferior] land, or with that portion of capital, which pays no rent. Corn is not high because a rent is paid, but rent is paid because corn is high” (he expounds on this point a few pages later). “If the high price of corn were the effect, and not the cause of rent, price would be proportionately influenced as rents were high or low, and rent would be a component part of price. But the corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a component part of price” (Ricardo, 1817, pp. 38 and 40).

Suppose, for the sake of argument, that agricultural products were to be sold at prices of production prevailing on the average land, then the capital invested in the poorest lands would not bring in the average rate of profit to the capitalist (tenant) farmer and cultivation of the agricultural product would cease; but such a situation could not persist for long because, as population increased with the increasing wealth of the nation, it would lead to a shortage of agricultural produce and to a rise

¹ Following the lead of James Anderson, considered by Marx to be “the original author of the Ricardian law [of differential rent],” he observes in *Theories of Surplus Value* that “differential rent does not presuppose a *progressive deterioration of agriculture*, but can equally spring from a *progressive improvement* in it. Even where it is based on the descent to worse types of land... this descent may be due to an improvement in the productive forces of agriculture, in that the cultivation of the worse land, at the price set by demand, is *only* made possible by greater productive power. Secondly, the *worse land* can be improved; the differences will nevertheless remain, although they will become smaller, so that as a result there is only a *relative*... decrease in productivity whereas *absolute productivity increases*” (Marx, 1862–1863, p. 241). For a critical but sympathetic discussion of Marx’s theory of differential rent, see Ball (1977, pp. 380–402) and Fine (1979, pp. 241–78). Ball, for example, believes that Marx’s discussion of differential rent II (discussed below) suffers from a confusion between marginal and average returns to capital invested in land.

in prices, thus making it possible for capitalist farmers to cultivate the poorest land. Since identical products in competitive markets must command identical prices, the (higher) prices on the poorest lands also apply to those produced on average and rich lands, thereby generating a super-profit (an excess of surplus value above the average rate of profit) for capitalist-tenant farmers that, unlike industry, is not whittled away by competition but is a *constant* phenomenon that is appropriated by the landowning class. (Ricardo is here assuming that there are a sufficient number of capitalists looking to invest in agriculture whenever they can be assured of receiving the average rate of profit.) Thus, Ricardo's theory of rent provides a partial answer to the question of who gets the economic surplus by showing that, given the wage and methods of production used on different lands, the social demand for agricultural goods cannot be satisfied by production on the best and average land, but by the conditions of production on the poorest land cultivated (Wolff, 1984, p. 77).

Marx, like Ricardo, had a well-developed theory of differential rent (I and II) based on both differences in the natural fertility (and location of plots) of land *and* according to how intensively a given plot of *fertile* land is cultivated through additional investments of capital (Marx, 1867–1894, Vol. III, pp. 640–737; Marx, 1862–1863, Vol. II, Chapter XII; Ball, 1977).² The former gives rise to a rental payment on the extensive margin of cultivation (equal capitals are invested on equal plots of land), while the latter results in rent paid on the intensive margin (more capital per acre on fertile or average land). The process by which differential rent II is formed can be illustrated by the following simple numerical example. Suppose that the first outlay of capital (say \$100) on fertile soil (B) generates 15 bushels of corn and the second (equal) investment raises the yield to 33 bushels or 18 additional bushels of output. Suppose also that the poorest soil (A) generates an output of 10 bushels and that the tenant farmer on the rich land sells his output at the social price of production on the poorest land (\$12 per bushel). The tenant will thus receive, in addition to the \$60 (\$180–120) excess profit from the first outlay of capital (which was the source of differential rent I), another \$96 from the second, additional investment (\$216–120). Of course, this brings up the interesting question of how the super-profit generated by the second outlay is converted into differential rent II, given that it was made by the capitalist tenant farmer. Marx points out that land is leased for a specific period of time (say 7 years) and, during that period, the tenant will receive the super-profit, not the landlord. However, when the lease runs out, the landlord will draw up a new agreement that raises the rental so that the extra profit is transformed into differential rent II. Thus, a struggle emerges between

² It should be noted that a modern treatment of all the aspects of differential rent requires reference to Piero Sraffa's (1960) general and correct treatment in Chapter XI of his seminal work entitled, "Production of Commodities by Means of Commodities." In it he argues that natural resources, "being employed in production, but not themselves produced... can be said to occupy a position equivalent to that of 'non-basics' among products" (p. 74). He also points out that Ricardo's and Marx's theories of differential rent contain several restrictive hypotheses and formal weaknesses; for instance, he shows that the "order of the fertility" and the "magnitude of the rents themselves" are not given, but may vary with the variation of the rate of profit and the wage (p. 75).

the landlords, who want to shorten the contract period as much as possible, and the capitalist-tenant farmers, who want to lengthen it; for Marx, it is in essence a struggle over how to divide the surplus value created by agricultural workers. He also believed that it was one of the greatest obstacles to “the rational development of agriculture” because the tenant farmer “avoids all improvements and outlays for which he cannot expect complete returns during the term of the lease” (Marx, 1867–1894, Vol. III, pp. 618–21).

Insofar as Marx’s discussion of differential rent II is concerned, he went far beyond Ricardo. For example, he showed through numerous, often complex numerical examples, that depending on demand conditions (and the varying productivity of the second versus the first investment of capital on fertile land), differential rent II may occur under conditions of constant, falling and rising costs of production on the worst land (Marx, 1867–1894, Vol. III, Chapters 41–43). Only in the first case does rent rise unambiguously (provided that additional output can be produced at a lower cost than the price of production on the poorest land), while in the falling and rising price of production cases (on zero rent land), the overall effect is indeterminate. It depends on a “tug of war” between additional investments per acre on fertile land (which tend to raise rent) and whether increased output drives down prices of production and rental payments [e.g. through the displacement of worst land A with (lower cost) worst land B] or drives them up as a result of falling output due to soil erosion. In the latter case, rental payments would fall due to falling output on the poorest land, but rise as a result of rising prices and the additional investments (of varying productivity) on fertile land. For example, Marx notes in his discussion of differential rent II (the Third Case) that, “The increased regulating price of production [on marginal soil A] makes good what has been lost in quantity of produce; since this price and the product are inversely proportional” (Marx, 1867–1894, Vol. III, Chapter 43, p. 710). He then proceeds to show in a series of tables (VII–XI) how the total proceeds from fertile soils, viz., the money rent and the rate of rental payment, can remain the same even when the productivity of the second investment of capital (relative to the first) varies on fertile lands (soils B, C and D); i.e. whether the second investment of capital is just as productive, less productive or more productive than the first investment (Marx uses investments of capital worth £ $2\frac{1}{2}$ each for a total investment of £5). Again, this result arises because the quantity of produce and the selling price are shown to be inversely related while the total invested capital remains the same (*ibid.*, pp. 712–13).

However, in contradistinction to Ricardo (and Malthus), who made all rent out to be differential rent, Marx believed that ground rent is, above all, a socially determined category that arises from a historically conditioned process that confers, in the form of landownership, “the monopoly by certain persons over definite portions of the globe, as exclusive spheres of their private will to the exclusion of all others” (Marx, 1867–1894, Vol. III, p. 615, 617), and these persons (landowners) demand a payment from the capitalist tenant farmers for the use of these natural resources. Thus, for Marx, rent is the product of a monopoly in landed property which is *not*

the creation of the capitalist mode of production and exists prior to it. All that the capitalist can do, according to Marx, is “subject agriculture to the conditions of capitalist production. But it cannot deprive landed property of its hold on that part of the agricultural product which capital could appropriate . . . but only on the non-existence of landed property” (Marx, 1862–1863, Vol. II, p. 243).

The impression arises, however, that rent is not the creation of surplus labor in the form of surplus value [i.e. based on the social (property) relations of production], but the result of the fertility of the soil and natural conditions such as the advantageous location of land. In other words, rent is, harkening back to the *Physiocrats*, created by *nature* (see Rubin, 1979, pp. 271–72). To illustrate this, Marx uses an example of capitalists who use higher cost steam power to run their factories but a small number of them, because of their favorable location, have access to lower cost water power from a privately owned waterfall (Marx, 1867–1894, Vol. III, pp. 640–48). As above, the prices of production are determined by the higher cost producers, while the owners of the waterfall used by the low cost producers receive a rental payment which is just equal to the surplus profit over and above the average rate of profit. The source of the excess profit or rent resides not in the enhanced productivity arising from the use of cheaper water power (this determines the production of use-values or articles of consumption), but by the simple fact that waterfall owners are able to demand a rental payment from capitalists who compete to use the scarce natural (locational) advantage.

Marx further observes that “the waterfalls . . . are held by individuals who are land-owners. These owners prevent the investment of capital in the waterfalls and their exploitation by capital” (and here is the decisive point), “But a waterfall cannot be created by capital out of itself. Therefore, the surplus-profit which arises from the employment of this waterfall is not due to capital, but to the utilization of a natural force which can be monopolized, and has been monopolized, by capital. Under these circumstances, the surplus profit is transformed into ground rent, that is, it falls into the possession of the owner of a waterfall” (Marx, 1867–1894, Vol. III, p. 646). Thus, if no labor (or capital) was applied to utilize the lower cost water power, then, however advantageous and cheaper it might be, the natural force of the water would not be realized in a vendible commodity—it would remain barren of exchangeable value. Under competitive capitalism, the source of rent is surplus labor in the form of surplus value, while the natural force of the waterfall (or the natural fertility of the soil) is one of the conditions determining the productivity of the labor in terms of use-values (consumption goods). In Marx’s view, it is the basis, not the source of rent.³

³ Marx, in this respect, is just following the Ricardian distinction between value in use and value in exchange as evinced in the following passage from the important chapter *Value and Riches* in Ricardo’s *Principles*, “. . . Mr. Say . . . speaks of the value which is given to commodities by natural agents, such as the sun, the air, the pressure of atmosphere, etc., which are sometimes substituted for the labour of man, and sometimes concur with him in producing. But these natural agents, though they add greatly to *value in use*, never add exchangeable value, of which Mr. Say is speaking, to a commodity: as soon as by the aid of machinery, or by the knowledge of natural philosophy, you oblige natural agents to do the work which was before done by man, the exchangeable value of such work falls accordingly” (Ricardo, 1817, p. 190).

To be sure, under capitalism, the waterfall (or a plot of land) is an object of purchase and sale; it has an “irrational price” which, according to Marx, is determined solely by the capitalized rent it yields; i.e. the owner of the waterfall appropriates the difference between the (larger) individual profit from using the waterfall and the average profit and reinvests it at interest (capitalizes it) year after year. For example, suppose that the surplus profit realized by the manufacturer using the waterfall (and appropriated by the waterfall owner) amounts to \$1000 per year, and that the average interest rate is 5% per annum, then the price of the waterfall is \$20,000, i.e. the \$1000 represents the annual (simple) interest on a capital of \$20,000, no more no less.⁴

But although it has a price that is nothing but “a mere reflection of the appropriated surplus profit capitalistically calculated,” the waterfall *itself* does not have value anymore than air, light or the wind because it is not the product of materialized abstract human labor; i.e. it is not a social relation of commodity production. And this point cannot be emphasized enough, for it is the *sine quo non* of the Marxian theory of value. Marx expresses this essential idea in concise form in his chapter on “Value,” where he discusses the work of the Italian economist Galiani; he writes that “value is a relation between persons . . . expressed as a relation between things” (Marx, 1867–1894, Vol. I, p. 74).⁵ Consistent with this notion, viz., the materialization of social relations of production, Marx makes the perceptive observation that if, as a result of technological change, a better method of production (not applicable with water power) reduced “the cost price [in terms of the quantity of socially necessary labor] of commodities produced by steam machinery” to a degree sufficient to eliminate the entire surplus profit generated by manufacturers using the waterfall, “the rent, and thus the price of the waterfall, would disappear” (Marx, 1867–1894, Vol. III, p. 648).

III. IS THE EXISTENCE OF ABSOLUTE RENT COMPATIBLE WITH THE LABOR THEORY OF VALUE?

Marx praised Ricardo for disposing of Adam Smith’s theory of value which suffered from a number of unresolved problems and contradictions, not the least of which was that it made rent one of the determinants of the value of commodities (Marx,

⁴ The price of the waterfall (or a plot of land) is directly proportional to the absolute amount of rent and inversely proportional to the rate of interest on bank loans which, Marx believed, would have a tendency to fall with the development of capitalism. The reason he believed it would fall resides, first, in his reasoning that there is a general tendency for the average rate of profit to fall (of which interest on loan capital forms a part) and, second, because as capitalism develops, its credit system channels and concentrates a growing proportion of the “free money resources” of society into banks in the form of loan capital. For further details, see Marx’s discussion in *Capital* (1867–1894, Vol. III, Chapters 23 and 27). See also Brewer (1984, pp. 156–69) .

⁵ Marx believed that the materialization of production (social) relations was the objective basis of what he called the *fetishism of commodities* as revealed by this passage from *Theories of Surplus Value*: “In this way landed property, like capital, constitutes a claim to unpaid labour, gratis labour. And just as with capital, the worker’s materialized labour appears as a power over him, so with landed property, the circumstance which enables the landowners to take part of the unpaid labour away from capitalists, makes landownership *appear* as a source of value” (Marx, 1862–1863, Vol. II, p. 42, emphasis added).

1862–1863, II, pp. 241–50). Smith came to deny that the law of labor value operates in a *capitalist* economy and posited the value of a product as being composed of the sum of wages, profit and rent, thereby leading to the erroneous conclusion (in Ricardo’s mind) that the magnitude of these revenues determines the value of commodities.⁶ Ricardo, like Marx, based his entire investigation upon the concept that it is the quantity of socially necessary labor expended on a commodity that determines the magnitude of a product’s value which, through distribution, resolves itself into profit, wages and rent. The maturity of Ricardo’s analysis is further revealed in Chapter IV of his *Principles* entitled “On Natural and Market Price” by his clear understanding that for the law of labor value to operate properly, the existence of free competition between producers and free mobility of capital must be presupposed (Ricardo, 1817, pp. 48–51).

However, Ricardo, in Marx’s view, was not able to conceive of rent being paid on the worst soil (marginal land) because he confused prices of production (natural prices for him) with values (materialized abstract human labor). The former, in Marx’s analysis, were determined (in developed capitalism) as the spontaneous outcome of a fierce competitive process between capitalists in different industries which distributed the total surplus value created in society to the different groups of capitalists according to the size of the capitals they advanced. The transformation of surplus value (profit) into average profit results in commodities being sold not at their labor values, but at their prices of production, which is equal to the cost price of production ($c + v$) plus the average rate of profit [the ratio of the total surplus value (Σs_i) created by the whole working class to the total capital (constant and variable) invested in all industries, or in equation form, $r = \Sigma s_i / \Sigma (c_i + v_i)$].

Consequently, in those industries in which the organic composition of capital (c/v) is below the economy-wide average (i.e. technically backward sectors), prices of production would be lower than (abstract) labor values because more surplus value is produced in those industries than is realized in the form of average profit, and vice-versa for those industries with an organic composition of capital above the average, viz., the leading branches of production. This means that through the ceaseless striving of capitalists to maximize profits under competitive conditions, the excess of surplus value over average profit generated in industries with a low organic composition of capital is transferred (and realized) by capitalists in industries with a higher organic composition of capital. Marx believed that, in this manner, the “law of value” maximizes the overall efficiency of the economy (or minimizes the waste of society’s pool of labor) by transferring the surplus value from the technically backward sectors to the leading branches of industry. Of course, in those industries

⁶ Rubin (1929) argues that Smith’s confused analysis of exchange value leads him to uphold two methodologically different conceptions of labor value as the basis of value: “The first leads him to a concept of the quantity of labour expended on the production of a given product; the second to a concept of the quantity of labour which a given commodity can acquire or purchase through exchange” (pp. 186–87). In simple commodity production (Smith’s “early and rude state of society”), these two definitions coincide, but, as Smith realized, they sharply diverge in a competitive capitalist economy.

which, by accident, have an organic composition of capital equal to the social or economy-wide average, prices of production (or Ricardo's natural prices) would equal labor values. Thus, prices of production are nothing but a transmuted form (a leveling out) of labor values in competitive capitalism.⁷

Marx, armed with what he believed to be a clear understanding of this transformation process, proceeded to go one important step beyond Ricardo by showing, through a number of unnecessarily tedious (and confusing) arithmetic examples in Vol. III of *Capital* and Vol. II of *Theories of Surplus Value*, that it was perfectly possible for rent to be paid at the margin and the labor theory of value to hold; in other words, absolute rent was possible not because the prices of agricultural products sold above their labor values (a monopoly price in the usual sense), but because they sold at their values (or below their labor values but above their price of production or natural price). Ricardo, in contrast, believed that if there was rent on the poorest land, then it would mean that agricultural products were being sold at prices above their value; i.e. in clear violation of the labor theory of value. In effect, as Marx (1862–1863) emphasized in *Theories of Surplus Value*, Ricardo could not conceive of rent on the worst cultivated land because it would mean that “An element of nature [land], something heterogeneous from social labour time would be creating value. But this cannot be. The worst land is land pure and simple. If the better land bears a rent, then this only shows that the *difference* between the individually necessary labor and that which is socially necessary becomes permanently established in agriculture because it has a natural basis, whereas in industry it is constantly disappearing . . . *absolute* rent cannot be permitted to exist, but only *differential* rent” (Marx, 1862–1863, II, p. 130; see also pp.242–44).

That is, Ricardo assumes that the worst land does not yield a rent because he assumes erroneously, in Marx's view, that the prices of production of agricultural goods from this marginal land are equal to the economy-wide *average price* and thus their labor values (Marx, 1862–1863, II, p. 163). But this assumed equality will hold only by accident and, as shown below, certainly not for agricultural products, where their value “stands above their average price, but owing to landed property,

⁷ There is now a voluminous and highly technical literature on the so-called transformation problem; Marx's analysis in *Capital*, Vol. III, is incorrect because “it does not take into account that the value elements of inputs as well as those of output have to be transformed into prices” (Meek, 1956, p. 194). However, Meek, and other knowledgeable commentators (Sweezy, 1942), contend that Marx *deliberately* simplified the calculation in Chapter IX by assuming that the output of the five different spheres does not enter into the production of any of the others (p. 190). It is evident from a careful reading of Chapter IX that Marx was well aware of this problem and it is wrong to suggest that he ignored it as evinced by the following observations: “We had originally assumed that the cost price [used up $c + v$] of a commodity equaled the value of the commodities consumed in its production. But for the buyer the price of production of a specific commodity is its cost price, and may pass as cost price into the prices of other commodities. Since the price of production may differ from the value of a commodity, it follows that the cost-price of a commodity containing the price of production of another commodity may also stand above or below that portion of its total value derived from the value of the means of production consumed by it” (Marx, 1867–1894, Vol. III, pp. 164–65). For further details, see Meek (1956), Seton (1957), Mandel (1971), Samuelson (1971, pp. 399–431), Dobb (1973), Morishima (1973), Howard and King (1992, Chapters 12 and 13), Steedman(1985), Wolff (1984).

the value of agricultural products, *unlike* that of these other commodities, is not leveled out at the average price. Hence this view assumes, like the monopoly theory, that property in land, *as such*, has something to do with rent” (*ibid.*, emphasis added). Or, to put it differently, when the power of limiting the supply of land is in the hands of the big landowners, so also is the power of setting prices.

The existence of absolute rent in the Marxian paradigm is based on two major historical developments. First, Marx proceeded from the assumption, not unreasonable in the nineteenth century, that agricultural production, owing to its lower social productivity, operates with a lower organic composition than manufacturing industry.⁸ On this point, he observes in Vol. III of *Capital* that “If the composition of capital in agriculture proper is lower than that of the average social capital, then . . . this expresses the fact that in countries with developed [capitalist] production agriculture has not progressed to the same extent as the processing [manufacturing] industries” (Marx, 1867–1894, p. 759; 1862–1863, Vol. II, p. 244). Marx also believed that another reason for the relative backwardness of agriculture arises from the fact that, with the development of capitalism, the demand for agricultural labor power even falls absolutely because, unlike the manufacturing sector, the introduction of capital deepening technology does not generate a significant offsetting demand for the services of agricultural workers. For example, he argues in *Capital*, Vol. I., that “this source of [the *latent*] relative surplus-population is thus constantly flowing,” and by increasing the supply of the very cheapest labor power, it would delay the introduction of new and better machinery (Marx, 1867–1894, Vol. I, p. 642).

But, having made the argument for why agriculture lags industry, Marx seems to also suggest that this is a mere theoretical possibility because, in *Capital*, Vol. III, he writes that, “Whether the composition of agricultural capital is lower than that of the average social capital in a specific country where capitalist production prevails, for instance, England, is a question which can only be decided *statistically*, and for our purposes it is superfluous to go into it in detail” (p. 760 emphasis added).

In any event, if we proceed (as Marx does) under the assumption that agriculture operates with a lower capital–labor ratio than manufacturing industry, then a capital of a given size produces a larger mass of value and surplus value which ensures that the price of production of agricultural products is lower than their labor values. Of course, this begs the important question (addressed below) of what happens to

⁸ In his seminal work, *The Unbound Prometheus*, David S. Landes emphasizes that during the eighteenth and nineteenth centuries, on the supply side, the industrial sector experienced far greater gains in labor productivity than the agricultural sector. He notes that “The fact remains that in the period of the Industrial Revolution and subsequently, industry [relative to agriculture] moved ahead faster, increased its share of national wealth and product, and drained away the labour of the countryside . . . It was most extreme in Britain, where free trade stripped away the farmer of protection against overseas competition . . . And it was slowest in France, a country of small holders, where a more gradual introduction of the new industrial technology combined with high tariffs on food imports to retard the contraction of the primary sector” (Landes, 1969, p. 6). For further details on the evolution of agriculture relative to industry in developed capitalism, see Mandel (1971, Chapter 9, pp. 280–93).

absolute rent when the organic composition of capital in agriculture eventually catches up with that of industry? Does absolute rent *per se* disappear altogether, or is it extinguished in this particular economic (social) form? If the former is the case, then absolute rent is nothing but the product of an accidental and historically determined (technical) difference between agriculture and industry. If the latter, then absolute rent (and rent in general) is an economic category that expresses a social relation of production that assumes different forms depending on the prevailing socioeconomic conditions of production and distribution.⁹

Second, Marx emphasized that land (broadly defined to include fisheries, forests, vineyards, waterfalls, etc.) is not like other commodities because it cannot be freely reproduced by human labor in the same manner as manufactured goods; it is both absolutely and relatively scarce. Barriers in the form of landed property (a historically determined social relation of production that precedes developed capitalism) impede capital (more so than in manufacturing industry) from flowing freely into the agricultural sector, thereby limiting the output of agricultural products relative to the rising social demand arising from the growth in population and the progress of society. It thus hinders the optimum use of land by reducing the investment fund available for the accumulation of capital in agriculture. Big landowners, by virtue of their monopoly in landed property, allow capitalist tenant farmers to apply capital to any portion of it only on condition that the market price rises sufficiently to not only provide the farmers with the ordinary profit on their capital but a rental payment to the landowners—even on the poorest land. In Marx's words,

Thus, assuming the demand requires that new land be taken under cultivation, whose soil, let us say, is less fertile than that hitherto cultivated—will the landlord lease it for nothing, just because the market price of the product of the land has risen sufficiently to return to the farmer the price of production, and thereby the usual profit, on his investment in land? By no means. The investment of capital must yield him rent . . . the market-price must rise to a point above the price of production [P], i.e., to $P + r$, so that rent can be paid to the landlord . . . landed property does not yield anything until it is leased, is economically valueless until then, a small rise in the market-price above the price of production sufficed to bring the new land of poorest quality to the market (Marx, 1867–1894, Vol. III, p. 757).

But Marx is quick to point out that there are quite a number of manufactured products where, owing to their lower average composition of capital, their value is higher than their price of production yet they do not yield “any excess above the average profit . . . which could be converted into rent” (*ibid.*, p. 760). So, what enables landowners to extract this surplus profit from tenant farmers, unlike other industries where competition and freedom of entry and exit of firms (capital) ensure that commodities sell at their prices of production and that the general rate of profit prevails? He believes the answer resides in the ability of landowners, by virtue of

⁹ On this important point, and consistent with what Marx called the *fetishism of commodities*, Bryan (1990, p. 177) observes that “Land is important to Marxist theory for more than the calculation of values . . . land is also a social relation. This is land in its capacity of *property*, that is, class relations expressed through ownership relations”. See also footnote 6 above.

their monopoly of a non-reproducible resource, to erect an effective barrier of entry that prevents the equalization of surplus value into an average profit. He writes,

If capital meets an alien force which it can but partially, or not at all, overcome, and which limits its investment in certain spheres, admitting it only under conditions which wholly or partly exclude that general equalization of surplus-value to an average profit, then it is evident that the excess of the value of commodities in such spheres of production over the prices of production would give rise to a surplus-profit, which could be converted into rent and as such made independent with respect to profit. Such an alien force and barrier are presented in landed property, when confronting capital and its endeavour to invest land; such a force is the landlord vis-a-vis the capitalist. . . . But owing to the barrier raised by landed property, the market-price must rise to a level at which the land can yield a surplus over the price of production, i.e., yield a rent. However, since the value of the commodities produced by agricultural capital is higher than their price of production . . . this rent forms the excess of value over the price of production (Marx, 1867–1894, Vol. III, p. 761–62).

The simple value system in the table below, based on a similar example given by Marx in Vol. III of *Capital*, may help better illustrate the process by which absolute rent is formed. Assume a rate of surplus value ($s' = s/v$) of 50% (Marx assumes $s' = 100%$) and the same turnover period (one year) for capital in both sectors (Marx, 1867–1894, Vol. III, p. 763). For simplicity, assume also that all figures are in terms of labor values (i.e. commodities exchange in proportion to the labor directly and indirectly required for their production, measured in terms of hours of labor time) except for the rate of profit which is in percent.¹⁰ Also assume, as Marx does, that the organic composition of capital in the industrial (non-agricultural) sector is equal to the social or economy-wide average so that the prices of production in this sector coincide with their labor values.

Capital	Surplus value	Value	Rate of profit	Average profit	Absolute rent
<i>Industry</i>					
$80c + 20v$	10 s	110	10	25	—
<i>Agriculture</i>					
$20c + 80v$	40 s	140	40	25	15

As can be readily ascertained from the table, both sectors use the same total capital (in value terms) but the agricultural sphere uses relatively more variable capital owing to its lower social productivity. In our example, the total social capital

¹⁰ See Wolff (1984, Appendix B), who argues that Marx's presentation of his value categories is, at times, unclear and confusing. He observes that Marx's practice of repeatedly shifting from calculations in terms of hours of labor time to those in terms of money (pounds, shillings) only makes sense if commodities exchange at their labor values (i.e. the price of a commodity is its labor value). In fact, he contends that Marx did not seem to understand "the difference between saying that commodities exchange at their [labor] values and saying that commodities exchange *in proportion* to their labor values" (p. 94). He proceeds to show that the two statements can be made to coincide only by "setting the price of a unit quantity of the commodity chosen as numeraire equal to that commodity's labor value rather than to 1," but, he argues that Marx "did not grasp this technical point" (p. 95).

is $100c + 100v$. The total mass of surplus value created in both sectors is $50s$, and, if the agricultural and industrial sectors “should be equalized to the same average price,” then the general rate of profit, $r = 50s/(100c + 100v)$, is 25%. The average rate of profit is therefore an expression of the aggregate surplus labor in value form created by the whole working class to the total social capital invested in both spheres of production. If free competition and capital mobility are allowed full reign between the two sectors, the transformation of profit into average profit results in commodities being sold in both sectors not at their labor values, but at their price of production which is equal to 125 (cost price plus average profit on capital advanced). Thus, in an equalization into prices of production, the average market price of the industrial sector would lie above, and those of agricultural products below, their labor values. However, as noted above, this will not necessarily take place in the agricultural sector because landlords, by virtue of their monopoly of land ownership and the technical conditions of production in this sector, may be able to sell their (corn) output not at 125 but at its value (140) or below (but above the price of production) depending on market conditions. The entire or some of the extra surplus value (15) created in agriculture is not subject to intersectoral redistribution, as is the case within industry or the non-agricultural sector, but is appropriated by the landlords in the form of absolute rent. On this point, Marx emphasizes that

whether this absolute rent equals the whole excess of value over the price of production, or just part of it, the agricultural products will always be sold at a *monopoly* price, not because their price exceeds their value, but because it equals their value, or because their price is lower than their value but higher than their price of production. Their monopoly would consist in the fact that, unlike other products of industry whose value is higher than the general price of production, they are not leveled out to the price of production (p. 762, emphasis added).

And the reason that the leveling out does not take place is due to the institution of landed property—not the technical condition that agriculture operates at a lower level of social productivity as expressed in its relatively lower organic composition of capital. It should be emphasized here that Marx is not saying that monopoly landlords are also monopoly *capitalists*; he is simply pointing out that any excess generated by capitalist tenant farmers over and above the ordinary profit is “filched by the landlord” in the form of absolute rent, just as differential rent is “filched by the landlord under a generally regulating price of production” (Marx, 1867–1894, Vol. III, p. 764).¹¹ From which, it also follows, in response to the set of queries alluded

¹¹ Marx, in his discussion of Karl Rodbertus’ “new theory of rent” in *Theories of Surplus Value* (Marx believed Rodbertus had made an unsuccessful attempt to develop a theory of absolute rent) parodies the representative landlord in a fictitious “conversation” with the representative capitalist thus, “Just as your ownership of one condition of production capital, materialized labour enables you to appropriate a certain quantity of unpaid labour from the workers, so my ownership of the other condition of production, the land, etc., enables me to intercept and divert away from you and the entire capitalist class, that part of unpaid labour which is excessive to your average profit. Your law will have it that under normal circumstances, capitals of equal size appropriate equal quantities of unpaid labour and you capitalists can force each other into this position by competition among yourselves. Well. I happen to be applying this law to you . . . But the law has nothing to do with the excess of unpaid labour which you have “produced”

to above, that if the organic composition of capital were raised to the level of manufacturing industry, landowners would continue to receive rent for all their land, including the worst land. The only difference under these changed socioeconomic conditions is that absolute rent would now assume the social form of a monopoly rent whose size would depend, as Marx clearly understood, on “many fortuitous combinations,” not the least of which is the purchasing power of the buyer (Marx, 1867–1894, Vol. III, p. 633; 1862–1863, II, pp. 162–63 and 316).¹²

Some prominent commentators, such as Howard and King (1985), have taken Marx to task for coming up with an “ingenious argument [that] has very strange implications, in that absolute rent would disappear altogether if the organic composition in farming were to rise to its social average, even though land remained a scarce, privately-owned, non-reproducible resource essential to the production of many commodities” (pp. 147–48). They argue that this “is not a defensible position” and that it would have been preferable for Marx “to treat absolute rent as a form of monopoly profit, its magnitude determined by the operation of supply and demand rather than by the theory of value” (*ibid.*).¹³

Admittedly, there are sections in Chapter 45 entitled “Absolute Ground Rent,” where Marx seems to suggest that absolute rent, and rent *per se*, would disappear altogether once the average composition of capital was equal or higher than that of the average composition of capital (Marx, 1867–1894, Vol. III, pp. 760 and 765).

over the normal quota. Who is going to prevent me from appropriating this “excess”? Why should I act according to your custom and throw it into the common pot of capital to be shared out among the capitalist class... I am not a capitalist. The conditions of production which I allow you to utilise is not materialized labour but a natural phenomenon. Can you manufacture land or water or mines or coal pits? Certainly not.” (Marx, 1862–1863, Vol. II, p. 41). For a concise exposition of Marx’s theory of absolute (and differential) rent, see Brewer (1984, Part 6, pp. 170–79); Fine (1979); Mandel (1971, Chapter 9); Rubin (1979; originally 1929, Chapter 29); Shoul (1967, pp. 448–60).

¹² V. I. Lenin (1908), in *The Agrarian Programme of Social Democracy in the First Russian Revolution 1905–1907*, comes to a similar interpretation of Marx’s theory of absolute rent. He writes, in a dispute with a certain Pyotr Maslov, that “Maslov’s objection [to Marx’s theory of absolute rent] reveals an utter lack of understanding, which is particularly obvious when, two pages further on, we come across a reference to... *brickmaking*; here, too, the technical level is low, the organic composition of capital is below the average, as in the case of agriculture, and yet there is no rent! There cannot be any rent in brickmaking, esteemed ‘theoretician’, because absolute rent arises not from the low composition of agricultural capital, but from the monopoly created by the private ownership of land, which prevents competition from levelling the profits of ‘low composition’ capital. To repudiate absolute rent means repudiating the economic significance of the private ownership of land” (p. 301).

¹³ Other commentators such as Brewer (1984) question Marx’s preoccupation with absolute rent by pointing out that, under competitive conditions, landlords would release land to tenant capitalist farmers—even the worst land—only on condition that they receive some rent for it. He argues that this would lead to a situation where each landlord tries to undercut the other and (absolute) rents are thus reduced to a very low level. Under these conditions, Brewer asks: “It is not easy to see why Marx wanted to insist on the existence of absolute rent at all” (p. 175). If one views absolute rent as a purely market-determined phenomenon resulting from the technically backward nature of agriculture, it is hard not to agree with Brewer, but it remains an open question if one approaches the problem, as Marx did, from the vantage point of the social (property) relations of production and history. Marx is not saying that the mere ownership of land creates any ground rent, but that landlords’ monopoly of a non-reproducible resource erects an effective barrier of entry that prevents the equalization of surplus value into an average profit (see footnote 10 above and Marx, 1862–1863, Vol. II, Chapter XI).

But, at least to this commentator, this would not be an appropriate reading of his general economic method which is firmly grounded in the notion that economic categories in developed capitalism, as in early capitalism (simple commodity production), are historically conditioned expressions of the social (property) relations of production into which economic agents enter into independent of their will. In fact, it is highly probable, given several relevant passages in Volume III (as well as *Theories of Surplus Value*, Vol. II), that had Marx lived to revise Volume III of *Capital*, he would have re-written several sections of his chapter on “Absolute Ground Rent” in a less convoluted form to render it more comprehensible to the reader and consistent with his general logical–historical materialist conception of history (Meek, 1967, pp. 93–106; Sweezy, 1970; originally 1942).

On this important point, consider again the very same passage quoted by Howard and King above, where Marx notes that “If the average composition of agriculture capital were equal to, or higher than, that of the average social capital, then absolute rent again in the *sense* just described would disappear; but, as argued below, Marx (1867–1894) is not necessarily saying that absolute rent in the sense of a rental payment for the use of the poorest land (if market conditions so dictate) would disappear altogether as the following passage suggests:

However, the mere existence of an excess in the value of agricultural products over their price of production would not *in itself* suffice to explain the existence of a ground-rent which is independent of differences in the fertility of various soil types and in successive investments in capital on the same land - a rent . . . which we may therefore call *absolute rent* (p. 760, emphasis added).

He goes on to say on the following page,

But . . . if capital meets an alien force which it can but partially, or not at all, overcome, and which limits its investments in certain spheres . . . then it is evident that the excess of the value of commodities in such spheres of production over their price of production would give rise to a surplus-profit, which could be converted into [absolute] rent and as such made *independent* of the rate of profit . . . Whether the [absolute] rent equals the entire difference between the value and price of production, or only a *greater* or lesser part of it, will depend wholly on the relation between supply and demand (p. 762, emphasis added).

In fact, Marx goes even as far as to contend that the “alien force” of landed property can become such a formidable barrier as to prevent altogether the equalization of surplus-value into average profit; under these exceptional circumstances, absolute rent assumes the form of a monopoly price over and above the value of the agricultural commodity; it becomes itself a “determining element” so that “the increase in the price of the product is not the cause of rent, but rather rent is the cause of the increase in the price of the product” (p. 763). That is, by virtue of their class monopoly over a non-reproducible (scarce) resource, landlords are capable of exercising actual or genuine monopoly power in the modern price-setting sense if market conditions so dictate. To be sure, Marx is not just referring here to the *individual* selling price of an agricultural commodity, but to the *general* market price increasing as a consequence of a payment of absolute rent or what amounts to the same thing if we

are interpreting Marx correctly, “the monopoly of landed property.” He writes, “If the price of the product from a unit area of the worst soil = $P + r$ [where P is the price of production and r is the absolute rent], then all differential rents will rise by corresponding multiples of r , since the assumption is that $P + r$ becomes the regulating price” (*ibid.*). He makes exactly the same argument a few pages earlier when he notes that “if the worst soil cannot be cultivated” although its cultivation would yield the price of production “until it produces something in excess of the price of production, rent, then landed property is the creative cause of this rise in price. *Landed property itself has created rent*” (p. 755).¹⁴

Finally, it should be noted, for the sake of argument, that Marx does state in the chapter on “Absolute Ground Rent” that absolute and differential rent are “the only normal ones,” but he immediately qualifies this statement by indicating that rent can also be based on an “actual monopoly price” (in the modern sense) that is solely based on the consumers’ purchasing power and suggests that its analysis properly “belongs under the theory of competition, where the actual movement of market-prices is considered” (Marx, 1867–1894, Vol. III, p. 764). As shown below, Marx does outline, in a very preliminary manner, in an important and relatively neglected chapter in Vol. III entitled “Illusions Created by Competition,” how such an analysis might have proceeded had he lived one or two decades longer.

So, contrary to Howard and King’s claim above, Marx did treat absolute rent, under the conditions described above, as a monopoly price whose magnitude is determined by both the landlords’ class monopoly over a non-reproducible commodity and the forces of supply and demand. Marx’s theory of rent (monopoly?) also implies that, in the presence of absolute rent but not differential rent, Ricardo’s contention (but not Adam Smith’s) that rent is price-determined rather than price-determining is incorrect (Marx, 1862–1863, II, pp. 313–16). But, if rent is treated as a monopoly price in the ordinary or actual sense, does it also mean that the labor theory of value ceases to explain altogether the magnitude of the rent falling into the hands of landlords? Marx, evidently, did not think so because he thought that the redistribution of value generated by the monopoly in landed property would simply transfer a portion of the profits (surplus-value) generated by capitalists in the industrial sector (and workers via a reduction in relative real wages but not necessarily absolute real wages)¹⁵ to the landlords without altering its magnitude one iota. In this connection, he writes in the chapter entitled “Illusions Created by Competition” that “if equalization of surplus value into average profit meets with

¹⁴ Marx makes the same point in Chapter 46 entitled, “Building Site and Mining Rent. Price Land,” where he notes that “the rent would create a monopoly price if grain were sold not merely above its price of production, but, also above its value, owing to the limits set by landed property to the investment of capital in uncultivated land without payment of rent” (p. 775). He also thought that, over time, *capitalized* rent, in the concealed form of the price of land, would claim an increasingly greater proportion of the surplus labor of society (for further details and a similar line of reasoning, see Marx, 1867–1894, Vol. III, pp. 775 and 776; Marx, 1862–1863, Vol. II, p. 316).

¹⁵ For a discussion of the important difference between relative and absolute real wages in the Marxian paradigm, see Ramirez (2007).

obstacles in the various spheres of production in the form of artificial or natural monopolies, and particularly *monopoly in landed property*, so that a monopoly price becomes possible [in the modern price setting sense], which rises above the price of production and *above* the value of commodities affected by such a monopoly, then the limits imposed by the value of commodities would not thereby be removed" (Marx, 1867–1894, Vol. III, p. 861, emphasis added). In Marx's mind, this monopoly price in the modern sense would amount to "A local disturbance in the distribution of the surplus-value among the various spheres of production . . . but it would leave the limit of this surplus-value itself unaltered" (*ibid.*). That is, the amount of surplus-value created by surplus labor would not be altered by the existence of a monopoly in landed property only redistributed to this sector from capitalists and workers in more competitive sectors.

Interestingly enough, Sweezy (1981) believed that two of the major tenets of the theory of monopoly capitalism, viz., the increase in the rate of surplus value and the skewing of that surplus in favor of larger units brought about by the concentration and centralization of capital, "are logical developments of a line of thought which Marx clearly adumbrated in the third Volume of *Capital*" (p. 37). He believed that Marx's analysis in Vol. III could be extended so that the monopolization process (in an industry structure sense) becomes generalized to the rest of the economy as a result of the increasing concentration and centralization of capital; i.e. the equal rates of profit of competitive capitalism are transformed into a "hierarchy of profit rates, highest in the most completely monopolized industries [including agriculture], lowest in the most competitive" (1970, p. 285).

Other knowledgeable commentators such as Bryan (1985, 1990) and Shaikh (1978) have suggested that embedded within Marx's theory of rent is an early theory of monopoly that may be highly relevant to the general problem of "how do we understand the returns to the owners of capital of different productive capacity" (Bryan, 1990, p. 180). Bryan even suggests that although Marx's theory of monopoly was developed with direct reference to ground rent, "it is entirely consistent with his theory of capital generally" (*ibid.*). That is, he believes that Marx was not using monopoly to describe price-setting power arising from the absence of market competition *à la* Baran and Sweezy (1966), but rather to describe specific attributes of land (capital) such as rare soil of unusual natural fertility and/or advantageous location of land (near a waterfall) that can reproduce, over time, above normal profits within the competitive process. Whether *any* theory of monopoly is possible from Marx's theory of (absolute) rent is open to question and careful study, and it is clearly beyond the scope of this short essay to assess.¹⁶

¹⁶ Paul M. Sweezy, in a highly perceptive essay entitled "Competition and Monopoly" gives an indication as to where Marx's thoughts on monopoly and price might have led him had he lived one or two decades more. He writes, "While Marx has in mind in this passage only a 'local disturbance in the distribution of surplus value,' clearly the reasoning can be extended to encompass a more generalized spread of monopoly, that is, of industries able to charge prices above price of production or value, whichever is higher, and a continuing process of concentration and centralization" (Sweezy, 1981, p. 37). See also

IV. CONCLUDING OBSERVATIONS

Marx's theory of rent provides us with several important insights. First, ground rent is, above all, a social relation of production that arises historically solely because certain individuals (landowners) are able, via primitive accumulation, to appropriate objects of nature (land, water and mines) and demand a payment for their use, even on the least fertile land (in the form of absolute rent). Hence, as Marx aptly put it, the payment of rent "is not a law of nature, but a social law" (Marx, 1862–1863, II, p. 96). Second, Ricardo's theory of differential rent (based on the assumed diminishing fertility of the soil) plays a subsidiary role on account of the fact that it only determines why some lands pay more rent than others—not why rent *itself* is paid. Here, too, Marx's theory of rent makes a positive contribution by showing that the progression is not necessarily from better to worse lands, and that rent paid on the intensive margin (differential rent II) can occur under conditions of constant, falling and rising costs of production. Third, provided that the transformation of labor values into prices of production is possible in competitive capitalism, the existence of absolute rent in the Marxian paradigm is entirely consistent with the labor theory of value. If demand conditions warrant and agriculture's social productivity is lower than that of manufacturing industry, rent is paid because corn sells at its value (or below it but above its price of production). Put differently, in developed capitalism, where all land is privately owned, the best or average lands will yield *both* an absolute and a differential rent. Fourth, it is incorrect to conclude that absolute rent will disappear altogether once the social productivity of agriculture (reflected in its organic composition) reaches or is equal to that of manufacturing industry because, as long as land is privately owned, landowners will continue to receive a rental payment for the use of the indestructible powers of the soil. The only (major) difference in this case is that absolute rent becomes a form of monopoly rent (surplus profit) whose source is found *outside* of agriculture and is redistributed to landowners via the price mechanism from more competitive sectors (including wage-goods industries).

Finally, with the growth and (progressive) development of capitalism, capitalist relations of production and distribution penetrate further into agriculture, and it becomes painfully apparent, in Marx's view, that the capitalist tenant farmer "is not only a necessary functionary, but the dominant functionary in production." In contrast, the landowner, who was "such an important functionary in production in the ancient world and in the Middle ages," becomes the personification of everything that hinders the rational development and the use of land, broadly defined. For Marx, both the landowner and the capitalist are exploitative of surplus (unpaid)

Sweezy's discussion of this topic in Chapter XV of his seminal work, *The Theory of Capitalist Development*, and in *Monopoly Capital*, where Baran and Sweezy (1966) substitute the concept of *economic surplus* to account for the modifications in the labor theory of value made necessary by the presence of monopoly. Whether this implies that the *quantitative* dimension of the labor theory of value must be rejected altogether is a matter of intense debate in the extant literature, and Foster (1986) provides a good summary and discussion of the "economic surplus controversy" (see Chapter 2, pp. 24–50).

labor, but the former is parasitic and imbued with the trappings of the feudal order, while the latter is rational and calculating and, in general, economically progressive.

Thus, the late Ernest Mandel was led to remark that “the most logical representatives of the liberal industrial bourgeoisie, notably Ricardo and John Stuart Mill, fought for the abolition of private ownership of land.” Marx, too, believed that the landowner class is “superfluous” in the capitalist mode of production and could be done away with via the nationalization of land so that “the state draws the rent” (p. 44). But Marx, devoted to his class-based analysis of capitalism, believed that, in practice, the radical (liberal) bourgeois would lack the courage because “an attack on one form of property [land] might cast considerable doubts on the other form [capital],” not least because “the bourgeois has himself become an owner of land.” But, if in the course of capitalist development, the capitalist and the landowner become one and the same person, then is there a need to differentiate rental income from profit of enterprise or interest on capital? Put simply, is there a need for a distinct theory of ground rent or, as Bryan (1990) suggests, would it not be better for Marxists to follow the lead of neoclassical economics and divorce the concept of rent from land and attach it to a general theory of monopoly (and capital) as Marx attempted to do, although in a preliminary and, at times, contradictory manner in Volume III of *Capital*? Whether such an attempt involves rejection of the quantitative relations implied in the labor theory of value under conditions of monopoly (i.e. in an industry structure sense) or, conversely, whether monopoly is just an attribute of scarce resources that generates a “local disturbance” (above normal profits) that is consistent with the law of value (competition) is a highly important and open question that is left for future scholars to address.

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