

# The Science of Socialism

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## ARTICLE V.

### Rent, Interest and Profit—Surplus Value.

WE have seen that the profits which are the aim and the end of capitalist production of wealth are the result of the ownership of capital, which enables the capitalist to take from his laborers a certain portion of the wealth which they have produced. **The capitalist lives and has his being by the exploitation of human labor-power, and the appropriation of surplus-value which that human labor power produces.**

But we have, for the sake of simplicity, considered the Cotton King as the individual possessor of all the industrial process. As a matter of fact the land and capital of which he has been the controller is not all his own. The landlord and the money-capitalist must be considered.

Let us re-examine the productive process in the light of what has gone before. We saw—did we not? that the Cotton King starts his production of cotton goods with **Money Capital**. This represents the means whereby the Cotton King is enabled to go into the mart and purchase the raw and incidental materials and human labor-power with which to start the process of producing cotton goods. Whence comes this Money Capital?

We find, in modern society, that we have banks, insurance companies and similar concerns of commerce which are prepared to advance to the Cotton King a certain sum of money in order that he may start in the production of cotton goods. That is to say that these commercial institutions advance him his Money Capital. Or it may be that he is able to secure his Money Capital partly from these institutions and partly from a number of similar "investors" as himself.

Capital in the form of money plays an increasingly important part in modern capitalism, and the power of the great financial houses such as the Rothschilds is positively enormous.

The point to be remembered is: **That the Money Capital of the Cotton King does not represent his own investment, but is the financial investment of financiers.**

These astute business men do not invest their money in the manufacturing process because they are in love with cotton or because they desire to see a greater quantity of cotton goods produced. They have advanced to the Cotton King his Money Capital with the idea of securing a portion of the Surplus Value which the King secures from the unpaid labor-power of his laborers. **In other words, they have lent him the necessary money to start him in the manufacturing process, with the one and only idea of securing INTEREST.**

The Cotton King, must, therefore, share a portion of his Surplus Value with the money-capitalist in the form of interest. The latter, having lent to the Cotton King a certain sum of money expects in return not only the sum of money lent, but **interest** on that sum each year until the whole debt has been re-paid. This Interest is paid to him by the Cotton King, but he can only do so as the result of the appropriation of the use-values produced by human labor-power, for which the laborers receive no return. **In other words, the Money Capitalist, when he draws his Interest, draws from the cotton-spinners so much Surplus Value in the form of so much per cent. Interest on his money.**

We come, now, to the consideration of another factor in the production of finished cotton goods—Rent. The use of land is essential to the production of wealth, and when the land surface of the world is the property of landlords, these owners of the soil and its contents demand and receive a certain portion of the wealth which is produced by human labor—a portion of the wealth produced, which is called Rent.

What is Rent? In what way and by what means do landlords receive rent?

It is essential that we enter into a short abstract disquisition upon this subject before we can obtain a clear answer to these fundamental questions.

Turning to the great political economists of the last hundred years or so we find that there is a striking unanimity of opinion upon this point. John

Stuart Mill says:—

"The rent of land consists of the excess of its return above the return to the worst land in cultivation."

Fawcett tells us that:

"The rent of land represents the pecuniary value of the advantage which such land possesses over the worst land in cultivation."

Marshall declares that:

"The rent of a piece of land is the excess of its produce over the produce of an adjacent piece of land which would not be cultivated at all if rent were paid for it."

These definitions are offered by these eminent economists as an elaboration of the famous definition of rent propounded by their master, Ricardo, who tells us that:—

"Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil."

In the first place, it is clear that the Ricardian theory of rent deals solely with the rent from agricultural land. It deals with the revenue of the landlord who sells the "original and indestructible powers of the soil." We find, then, that the existence of rent in the Ricardian sense is due to **the private ownership of land.**

The farmer who rents "the original" powers of the soil does so with the idea of making a profit. He does not do all the work himself, it may happen that a very small portion of the total work of the farm is performed by himself, for he "hires" laborers to whom he pays wages. To the landlord he pays rent for his land, to the laborers he pays wages for their labor-power—the rest is his Profit.

We find then, that rent in the Ricardian sense is due to:—

- (a) Private property in land.
- (b) Capitalist production for profit.
- (c) Unlimited supply of free and propertyless laborers.

But even in the matter of simple agricultural rent Ricardo's theory of rent does not explain the whole of the payment made to the landlord. He makes no allowance for those many and diverse circumstances in modern society which affect the size of the amount of money paid to the landlord in the form of agricultural rent. Advantages in transportation, improved machinery, distance from market—these are the most important factors out of many which affect the sum of money paid as agricultural rent. These factors are surely not covered by Ricardo's bald statement regarding the "original and indestructible powers of the soil?"

Moreover, as hinted above, agricultural rent by no means covers the whole of competitive rent under modern capitalism. Deadrents and royalties paid in mines are a source of much revenue to landlords today. The investigations of the Coal Mines Commission upon this subject in Great Britain has thrown a veritable flood of light upon the tremendous sums of money which these royalties divert into the pockets of those who "toil not neither do they spini." Here, too, rent arises from a monopoly of a portion of the earth's surface accorded by society to an individual.

Then we come to the rent of land in cities and great industrial centres. In this we find ourselves completely outside the "original and indestructible powers of the soil" and that the Ricardian theory of rent does not apply to this huge and ever-increasing toll of the landlord. The prices paid for small tracts of land in the centres of large towns are simply enormous, the rent charges are tremendous—surely these sources of revenue cannot be due to the powers of the soil, *per se*?

These enormous and increasing rent charges are due to the tendency for the bulk of the world's population to concentrate within comparatively narrow limits, to huddle together in towns, not, as in the Middle Ages, for protection, but because of the economic necessities which find their cause in machine production for profit.

It is natural that the competition for the most favorable spots within these narrow confines becomes from social causes extraordinarily keen, with the natural result that the prices which the landlord can demand for the employment of his land are enormous. The tremendous price paid for small plots of land each year are due to the private ownership of that land, and to the capitalist system of

wealth production which everywhere obtains.

It will be seen, therefore, that Ricardo's theory of rent is not wide enough to cover the whole of the rent paid in modern capitalist society to the landlords. Hyndman suggests that:

"Rent of land is that portion of the total revenue which is paid to the landlord for the use of plots of land after the average profit embarked in developing such land has been deducted."

Needless to say, this is not a perfect definition of rent, but it is one which covers not only agricultural rent, but all payments made for the use of land.

It will be seen that Rent is a payment which is made to the landlord by those who work for the use of his land. **The payment of rent pre-supposes private ownership of land, the possessors of which are able to demand their own terms for its use.** Rent, in short, is a large portion of the wealth which has been produced by human labor-power diverted into the pockets of the possessors of land.

To return, for a brief moment, to our Cotton King and the production of cotton goods.

We find that he is compelled to either own or rent portions of land for his factory. If he pays rent for the ground upon which his factory stands, he must share a goodly portion of his Surplus Value with the landlord in the shape of rent. If he buys that plot of land he includes that in his capital and the amount of Surplus Value to be produced by the cotton-spinners is just as great as if the land was the possession of a landlord who is not directly interested in the production of cotton goods.

Our brief analysis of the capitalist method of wealth production is now complete. We are enabled, as a result, to understand many and apparently diverse problems which previously baffled our understanding. We are able to take a bird's-eye view, so to speak, of the whole of the economic system prevalent to-day, and to find a solution for that great and growing problem of discontent with which we dealt in the first article.

To recapitulate:

The possessors of land and of capital are rich, whilst the laborers are poor.

The creation of wealth is consequent upon the exercise of human labor-power to land and capital. Land and capital are owned by landlords and capitalists who employ the propertyless laborers for wages.

The laborers can demand no higher terms because the essentials of wealth production are the exclusive property of the privileged few.

The laborers, who receive wages, work upon the land, and with the capital of the landlord and the capitalist, and the articles which they produce, are the property of the landlord and the capitalist.

Into these articles they have embodied a greater quantum of value than they have received in the form of wages, and when these commodities are sold they yield to the landlord and the capitalist Rent, Interest and Profit.

The laborers are poor because they are deprived of a considerable portion of the total wealth which they produce.

The landlord and the capitalist are rich because, they are enabled, as the owners of land and capital, to take a very considerable portion of the wealth produced by the propertyless laborers and call it Rent, Interest and Profit.

We find, then, that modern society is divided by a great economic gulf. On the one hand are the few who are as drones in the human hive, who by virtue of their ownership of the means of wealth production are enabled to own a considerable share of the total wealth of the world; on the other hand the great mass of propertyless workers who toil early and late for a bare pittance. This relentless and implacable class warfare continues and grows in bitterness, and it is criminal folly to expect that the social reforming of this or that manifestation of its evils will land us any 'forader. **Not by bandaging limbs and digging graves can we remedy matters; it is only when we STOP THE WARFARE ITSELF that we shall have done something substantial along the line of economic and social progress.**

Next Article: The Nemesis of Nations.