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UTSA PATNAIK

Introduction

The selection of readings put together in this volume is in three parts. The first part deals with Marx's writings on pre-capitalist relationships including forms of landed property and surplus extraction, and that aspect of the primitive accumulation of capital which relates to the formation of a propertyless labour force. It also covers briefly the question of the role of usury and of merchant's capital. The second part is devoted to the Marxist theory of rent, in particular to understanding the crucial distinction made by Marx between what he termed absolute ground rent, and Ricardo's concept, which he termed differential rent. The third part relates to the process of capitalist development in agriculture and the formation of a class of capitalist producers. Given the vast scope of the canvas, these topics can hardly be covered in a single volume.

This selection comprises the first of what is intended to be a set of at least two volumes, and the bulk of this selection is concerned with presenting in brief the salient views of Karl Marx in his own words. The last section introduces the Kautsky-Lenin discussion of capitalism in agriculture. The procedure followed in making the selections making up this volume, has not been uniform and this has been dictated by the nature of the subject matter itself. In the case of shorter pieces, entire chapters or essays have been reproduced without any editing. In the case of a more complex subject like the theory of rent however, where Marx discusses and develops his ideas in a number of different places (both in the two volumes of *Theories of Surplus Value*, as well as in *Capital*, Vol. III), I have made an edited selection of the material. This involves often juxtaposing paragraphs dealing with concepts which are separated by descriptive material, but I have always followed the
original order, with the aim of presenting the argument on rent in a shortened form. This is done in the hope that the Marx's theory of rent will become more comprehensible both to the new reader and to the lay reader without any background in economics, who is often apt to be deterred from reading Marx, by the apparent technicality of his argument on rent arising from its location within the classical theory of value. The intention thus is to whet the appetite of readers who can then proceed to read the original source in full. The third part is concerned with the question of the growth of capitalist relations in agriculture, and includes selections from Kautsky's *Die Agrarfrage* and Lenin's Review of the book as well as his defence of it against critics.

In this Introduction, my main objective is to discuss why the three topics mentioned at the outset are of importance and relevance today, particularly to readers in developing countries, and indeed to all those trying to understand problems of development—not only agrarian development, but development in general—in the contemporary world. I will do so by taking up each of the three main topics in turn, devoting most time and space however to Marx's theory of rent which in my view is of the utmost importance and where the greatest area of ignorance lies in the approach adopted by modern scholars analyzing agrarian questions.

1. Pre-Capitalist Relationships, Forms of Surplus Extraction, the Primitive Accumulation of Capital and the Historical Formation of Wage Labour.

Present-day mainstream economic theory is firmly located within models assuming the prevalence of the capitalist mode of production and its categories of analysis are always capitalist categories—wages, profits, capitalist rent (the last is termed "rent" alone, without the qualification we have added, since no other form than capitalist rent is recognized by this theory). Actually
existing social formations in the developing world however, are not entirely capitalist, and in particular the agrarian sector of any such social formation is apt to be characterized by strong or even predominant elements of precapitalist and transitional relationships—by rentier landlordism and petty tenancy, by servitude and bondage of labour, by usury and the dominance of merchant’s capital. These relations have been substantially created on the basis of earlier pre-capitalist relations which were modified under the impact of commercialization, of production for the market—which took place both under colonial systems and after independence.

Those present-day scholars who do stress the obvious fact of the existence of such modified pre-capitalist relations when talking of backward agriculture, appear to lack the theoretical concepts for analyzing these relations. They often end up using inappropriate concepts which are derived, as regards their content, from neo-populist or neo-classical economics when building their theoretical models or arguments regarding petty production, especially petty tenant production under landlords. Sometimes the form of Marxian-sounding terms might be used, the actual content of the concepts relate to wages and profit, and tacitly assume some form of capitalist production—although wages and profit are misleadingly labelled by other names. It is as though, with the best will in the world, these scholars are unable to escape from the conceptual straitjacket of the capitalist system even when discussing forms of production which are actually not capitalist at all or are mixed, transitional forms.

The main reason for this conceptual famine, in my view, derives from the near-complete censorship in economic literature of the historically-specific analytical categories relating to agriculture developed by Marx (who built to a certain extent on the prior work of Adam Smith, Richard Jones and James Anderson). The modern academic is simply not familiar with these
alternative concepts, and this extends to his/her not even being aware of the extent of this lack of familiarity with alternative concepts. Certainly the modern academic is far less familiar than the contemporaries of Marx himself were, with historically-specific economic categories, for a general sense of the historical contingency and specificity of production and exchange relations was in the intellectual air, so to speak, of the nineteenth century in a way that it no longer seems to be today. To redress this state of affairs it is necessary to revive the theoretical concepts which underlay Marx’s own discussion of agrarian relations.

Marx's discussion of pre-capitalist relationships presents the powerful over-arching and unifying concept (applicable to all class societies) of economic surplus, and the appropriation by a minority who are property owners of the economic surplus produced by the majority who constitute the actual workers. Within this unifying over-arching concept, the specific historical forms of economic surplus and its appropriation define the nature of the production relations, which are characteristic of differing modes of production and to which definite sets of legal, political and social relationships correspond.¹

In this selection the first part includes Marx’s brief discussion of slave labour-based production and slave rent, followed by an analysis of the serf-lord relationship of feudalism in Europe and of the different forms of feudal rent—in labour directly, or in product or money where Marx stresses the fact that the money form of rent remains feudal rent as long as the basic serf-lord relation itself is preserved. The essential condition for the development of capitalist production—the creation of a class of property-less persons who are torn from their means of production and catapulted from the status of peasants to that of proletarians—is discussed in a series of powerfully expressed chapters in Capital, Vol. III. These passages

¹ K. Marx, Introduction to a Critique of Political Economy.
formed the basis for the position that Maurice Dobb later took in the famous debate on the transition from feudalism to capitalism which placed the emphasis on the changes in production relations, and the diverse ways that exchange impacts on and affects production relations, rather than on the position taken by Paul Sweezy which had emphasized, almost exclusively, the question of production for the market as the decisive criterion of defining capitalism and, by implication, natural economy as the defining characteristic of pre-capitalist systems.

Marx’s discussion of usury and merchant capital is of particular importance for developing countries where these “antediluvian” forms of capital have been important in undermining peasant production and pauperizing the small peasantry, given the heavy tax and rent demands under colonial systems. Marx points out that

Usurer’s capital employs the method of exploitation characteristic of capital yet without the latter’s mode of production. This condition also repeats itself within bourgeois economy, in backward branches of industry or in those branches which resist the transition to the modern mode of production. For instance, if we wish to compare the English interest rate with the Indian, we should not take the interest rate of the Bank of England, but rather, e.g., that charged by lenders of small machinery to small producers in domestic industry.

The really important and characteristic domain of the usurer, however, is the function of money as a means of payment. Every payment of money, ground-rent, tribute, tax, etc., which becomes due on a certain date, carries with it the need to secure money for such a purpose. Hence from the days

of ancient Rome to those of modern times, wholesale usury relies upon tax-collectors, fermiers généraux, receveurs généraux. Then, there develops with commerce and generalisation of commodity-production the separation, in time, of purchase and payment. The money has to be paid on a definite date. How this can lead to circumstances in which the money-capitalist and usurer, even nowadays, merge into one is shown by modern crises. (Capital, Vol. III, Ch. XXXVI)

These are remarkably insightful passages even for Marx: historians researching in India have repeatedly pointed out since then, that the timing of the colonial state’s revenue demand, before the harvest could be realized, led to increasing peasant indebtedness to moneylenders and merchants. Merchants in turn used the peasant’s regular need for cash for paying taxes and rents, to tie their loans to his producing exportable crops and set the terms of the contract such that these crops were sold exclusively to the creditor and on unfavourable price terms. At present with a renewed emphasis on primary sector exports under neo-liberal reforms in India and the downgrading of bank credit we find a resurgence of both usurer’s capital and contracts for exports, and processes of peasant pauperization are again under way. A re-reading of Marx on usurer’s capital and merchant’s capital can provide us with valuable insights into present-day developments.


In this section, the focus is on Marx’s own discussion of how the concept of land rent presented in Adam Smith’s Wealth of

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3 I have brought together some of the historians’ evidence in Patnaik 1999.
Introduction

_Nations_ relates to rent arising from the very existence of landed property, from the concentration of land ownership. This concept, called _absolute ground rent_ by Marx, is shown by him to be fundamentally different from Ricardo's concept of rent presented in his _Principles of Political Economy and Taxation_, which deals with a category which Ricardo calls “rent”, but which is shown by Marx to arise, not from the existence of landed property at all, but solely from the fact that owing to varying fertility of different pieces of land or varying extents of application of capital, some farmers were able to produce under better-than-average conditions and hence at lower-than-average unit cost of production. For a given price of the product these favourably placed farmers could thus obtain higher-than-average profit (which excess profit could either remain entirely with the producer if he happened to be an owner, or be paid in part or full to a landlord if the producer happened to be a tenant). There is no necessary connection between Ricardo’s concept and the existence of landlords or landed property. “Rent” in Ricardo’s concept is solely caused by technical factors affecting production cost, without a necessary connection to any relation of production, and such so-called “rent” can just as well accrue to a person who is not a landlord at all but is the actual producer.

Marx accepted Smith’s concept and definition of ground rent, which in turn was the prevalent concept at that time, used also by James Anderson and Richard Jones. This is indeed the “commonsense” concept which we use daily—a person can demand land rent from a prospective tenant for use of a piece of land, because the person has property right over that piece of land while the prospective tenant does not. Property right is the key, the crucial core of the phenomenon of the economic category of ground rent.

This “obvious” fact however needs to be explicitly restated and theorized, for it is this fact which was quietly given up by Ricardo who thereby de-linked his category of “rent” completely
from any production relation, and related it only to cost of production. There are far-reaching implications for policy, of accepting one or the other concept of rent. Adam Smith and Marx’s concept reflected the material reality of class societies, that ground rent arose from the existence of a minority of persons who concentrated inherited property rights over land in their hands, while numerically a far larger mass of persons without property right had to make a living from working that land, which they were only permitted to do on payment of rent out of their output to the minority of landed proprietors.

This concept of rent arising from landed property monopoly is inherently a highly “subversive” concept, subversive of the existing social order. It immediately raises the question of why such a minority of persons who have merely inherited property and do not invest anything, should get a fat income from the efforts of the actual producers who put in investment and labour. It raises the issue of the parasitism of landlords, the unproductive use of rent incomes by them to sustain lavish consumption. If the same rent incomes remained in the hands of the actual producers there would be some chance of re-investment and rise in productivity. This subversive concept suggests the desirability of radical redistributive land reforms which breaks land ownership monopoly. This concept of ground rent extracted by virtue of inherited property right, has been the driving force behind all actual anti-feudal revolutions in history, and the parasitism of the landlord class has been the underlying reason for the expropriation of landlords.

Marx points out that ground rent necessarily arose only when concentration of land ownership existed, as Adam Smith had rightly emphasized, and Marx went on to present a penetrating critique of Ricardo in *Theories of Surplus Value*, selections from which are reproduced in this volume. Modern economic theory has completely suppressed the discussion of ground rent in James
Anderson, Richard Jones, Adam Smith and Karl Marx, and it has suppressed Marx’s critique of Ricardo. Modern textbooks, when they discuss rent at all, offer the student only Ricardo’s theory, which is actually not a theory of rent at all but a theory of conditions under which producers get profits-above-average-profit (or surplus profit for short).

Now, such surplus profits produced by some capitalists are not specific to agriculture alone, but exist in every branch of production—in manufacturing, if particular capitalists produce under better than average conditions or have access to cost-reducing innovations in technique, they will make surplus profits. Ricardo’s concept, which he mis-labeled “rent” (but which in fact is only surplus-profits for particular producers in agriculture owing to their producing under favourable conditions), has no necessary connection at all either with property or with concentration of property. It is a perfectly bland, technological concept dealing with variations in cost of production and therefore it has not an iota of subversive content. Ricardian surplus profits, called by him “rent”, will exist whenever there are variations in unit cost of production. Since such variation always exist (soils will always vary in fertility, and so on) Ricardo’s surplus profits will exist in all societies including those which have abolished private property, just as in manufacturing surplus-profits will exist for some enterprises which innovate or otherwise reduce unit cost below the average, in all societies.

Indeed, by labeling as “rent” a category which was not in fact rent, since it had nothing necessarily to do with landlords and tenants, Ricardo effectively conceptually subverted the correct concept of rent developed by Smith and his predecessors. Ricardo’s concept carries no implications whatever as regards the necessity of land redistribution, and at one level it is quite trivial. Who can possibly quarrel with the statement that a producer with lower than average cost will get higher than average profit?
conceptual sleight-of-hand lay in mis-labeling this excess profit over and above average profit for particular producers as “rent”, a mis-labeling that was eagerly taken up and popularized later to the complete exclusion of the other, correct concept of rent which had been the dominant concept in economic theory up to that time.

In my view, the reason that mainstream theory, which is always conservative and supportive of the existing social order, took up and systematically projected Ricardo’s concept, is precisely its bland technology-determined nature unrelated to social relations of production. The undeclared objective was to deflect scholarly attention from the subversive concept of rent as necessarily arising from monopoly of landed property, and the detailed discussions thereon by Marx, Adam Smith and their predecessors. The success of this project of burying the correct, subversive concept can be judged from the fact that today even those leading economists who analyze agriculture in developing countries, who might talk of feudal or “semi-feudal” relations in agriculture, and model the dynamics of the system, never seem to write of the high degree of inequality of land ownership or the need for land reforms. Since they lack the concept of ground rent entirely, this is not as surprising as it might appear. I will argue later on that their theorization and modeling of tenancy is logically fallacious because of their adherence to Ricardo and their lack of understanding of the Smith–Marx concept of ground rent. For the present let us return to the basic concepts.

3. Marx’s Discussion of Ground Rent via his Discussion of Smith versus Ricardo

Marx’s treatment of rent—covering both absolute ground rent and Ricardo’s concept of rent—is very detailed, for it includes his analysis and critique, in the two volumes of Theories of Surplus Value, of the ideas on rent of all the more important political
economists—James Anderson, Richard Jones, Rodbertus, Thomas McCulloch, Adam Smith, and David Ricardo. Marx’s further elaboration of the theory of rent in Capital, Vol. III—including the descriptive material relating to English capitalist agriculture and Continental metayage—extends over six chapters, apart from brief references elsewhere. In fact Marx’s treatment of rent in Capital is more detailed and comprehensive than Ricardo’s entire book on political economy, and it could have been published as an independent book in itself. I believe Marx’s analysis in this area to be more brilliant than in any other—apart of course from the central distinction of labour and labour-power which he developed to explain capitalist exploitation—owing to the masterly manner in which the theoretical confusions surrounding the Ricardian theory of rent including Ricardo’s misconceived criticisms of Adam Smith, are untangled, and the reason for Ricardo’s ignoring the correct concept of rent arising from concentration of landed property and his focus solely on variations in surplus profit, is explained.

Marx accepted and developed further Smith’s concept of rent as a tribute levied by landlords on society owing to their inherited monopoly command over landed property, for they always had the option of leaving some of their owned land uncultivated if no rent-paying tenant was forthcoming. Adam Smith, in his chapter “On the Rent of Land”, at the outset expressed in unambiguous terms the essential nature of ground rent as arising from monopoly of property:

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent for even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, when land was in common, cost the labourer only the trouble of gathering them, come, even
to him, with an additional price fixed upon them. (Smith 1961: 152)

By natural produce is thus meant, those useful goods which are not actually “produced” through any human effort or investment of capital. Further, “The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price.” (Smith 1971: 249). Nothing could be clearer than this.

Smith had to contend with the prevailing confusion between interest on capital, and ground rent proper, for interest on capital was often actually merged with ground rent when the landlord fixed a rent agreement with a tenant. Under the British system of primogeniture, landed estates remained in the same family for generations and landlords might have undertaken some expenditures by way of putting up farm buildings, draining marshy land, fencing and so on; in short they might have “improved” the land. Such improvements by landlords were particularly a feature of the eighteenth-century enclosures movement which marked the rise of capitalist production in English agriculture. Apologists for landed property tried to justify rent as a category by saying that it was actually the legitimate return by way of interest on capital invested by the landowner in improving the land, even though the landowner did not engage directly in current production and did not obtain profit.

Adam Smith on the other hand was careful at the outset to distinguish the “interest” element from ground rent proper, pointing out that it was only a small part of the total rent taken and that often improvements were made by the tenant, not the landlord, who when the lease expired nevertheless took the benefit by adding on something extra to the original rent:

The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expense of improve-
ment is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent as if they were all made by his own. (Smith 1961: 248)

Smith also established the basic nature of rent as distinct from interest by giving examples of rent taken by landlords for resources under his ownership, which were not capable at all of any human improvement. One of his examples is kelp (seaweed) thrown up on a sea shore owned by a landlord who nevertheless takes rent from persons collecting the sea weed. Another example is natural stands of timber—not artificially planted—for which the landlord took a rent from the person wishing to fell the timber and use it for productive purposes. In such cases by definition no interest element could arise at all since kelp and natural timber were gifts of nature and were not produced by any human agency: and from these examples Smith explicated the basic nature of ground rent which was not a return as interest on capital investment, but was an economic category whose existence depended solely on the ownership of property. He extended the argument to the fact that for crop land too, rent represented primarily the return to ownership of property rights in that land, and only a small part, if any, of actually observed rent payments was interest on capital.

The concept of rent as arising from and being caused by property ownership is particularly important in developing countries like India where concentration of land ownership remains high and where the interest element is virtually non-existent since landlords historically have not improved the land. Thus, land rent arises from the concentration of land ownership in a few hands, in a situation where this land is a source
of livelihood for many, and it is termed by Marx as “absolute ground rent”. What Ricardo terms “rent” however, is conceptually quite different: it is shown by Marx to be the excess profits which arise only for those particular producers in agriculture who operate at lower than average costs of production and hence make higher than average profit (where the average profit is already determined by competition). Marx terms this differential surplus profits, which gets transformed into differential rent when the producers are tenants. Such surplus profit arises also in manufacturing for the same reason. Ricardo’s “rent” in fact thus exists even without landed property, and has no necessary analytical connection with agriculture. This is the reason that in order to explain what he calls “the general form of differential rent”, Marx starts with manufacturing production (Capital, Vol. III, Ch. XXXVIII). Extracts from his discussion are reproduced in this volume.

The example Marx considers is that of a waterfall, a natural and not produced source of power which can run textile machines, while the alternative is to use produced steam power to run the machines. The capitalist who happens to have access to a waterfall runs his machines more cheaply than the one using steam power, and for producing a unit of output needs to spend only Rs 90 while the other producers have to spend Rs 100. Assuming that the average profit rate is 15 per cent, a market price per unit equal to Rs 115 would give a total profit of Rs 15 which is the average profit of 15 per cent to the higher-cost steam power using capitalists, whereas at this price the water-power using capitalist gets a total profit of Rs 25 per unit, which means an excess over the average of

4 Average profit in the ideal capitalist economy with competition, is determined by the competition of capitals which leads to the same equalized rate of profit through the free movement of capital over all sectors of production. The price constituted by average production costs plus average profit is termed the “price of production” in classical theory.
Rs 10 or a surplus profit of Rs 10. Obviously if market price rises further the surplus profit would also rise pari passu. If the capitalist owns the land with the waterfall, or if nobody owns it and the capitalist uses it, he pockets this surplus-profit. If someone else is the owner from whom the capitalist has to lease the waterfall-containing land, he has to hand over the surplus profit to the owner. If a co-operative of producers owns the waterfall the surplus-profit accrues to the co-operative. The surplus profit exists independently of whether landownership and production are with the same, or with separate economic agents and it exists independently of the form of property. Marx points out that

... the private ownership of the waterfall in itself has nothing to do with the creation of the surplus-value (profit) portion, and therefore, of the price of the commodity in general, which is produced by means of the waterfall. This surplus-profit would also exist if landed property did not exist; for instance, if the land on which the waterfall is situated were used by the manufacturer as unclaimed land. Hence landed property does not create the portion of the value which is transformed into surplus-profit, but merely enables the landowner, the owner of the waterfall, to coax this surplus-profit out of the pocket of the manufacturer and into his own. (*Capital*, Vol. III: 647)

Marx points out that Ricardo takes situations where landed property does not exist (hence absolute ground rent cannot exist), in order to put forward his own lower-than-average-cost-of-production concept as the only possible concept of "rent". Thus Ricardo is quoted by Marx in *Theories of Surplus Value*:

"I believe that as yet in every country from the rudest to the most refined, there is land of such a quality that it cannot yield a produce more than sufficiently valuable to replace the stock
employed upon it, together with the *profits ordinary and usual* in that country. In *America* we all know that is the case, and yet no one maintains that the principles which regulate rent, are different in that country and in Europe.” (Ch. XXIV; emphases in original.)

Marx criticizes Ricardo’s statement sharply:

Indeed, these principles are substantially “different”. When *no landed property exists*—actual or legal—no absolute rent can exist. It is absolute rent, not differential rent, which is the adequate expression of landed property. To say that the same principles regulate rent, where landed property exists and where it does not exist, means that the *economic form of landed property* is independent of whether landed property exists or not. (Ibid.; emphases in original.)

In North America at that time there was plenty of vacant cultivable land which settlers could occupy at will. Land was not monopolized as private property by landlords, so there was no absolute ground rent: but as Marx points out, the examples from North America given by Ricardo were not relevant to Europe which had a history of landed property. Ricardo commits the fallacy of *petitio principii*, where an argument presenting a concept labeled “rent”, which is not absolute rent, is put forward in the context of no landed property, because in such a case the premise (no landlords) already contains the conclusion—no absolute rent.

Let us take a numerical example (Table 1) to explain the Ricardian idea of surplus profit arising from favourable production conditions. There are four levels of fertility with the most fertile land producing double the yield of the least fertile for the same outlay of capital, Rs 100 per acre.

Assume there is no fixed capital which lasts beyond the
Introduction

production period required for one harvest. Assuming a prevalent average profit rate of 20 per cent (already determined by the competition of capitals freely moving from agriculture to manufacturing), on every type of land the farmer has to obtain a revenue of Rs 120 to cover his capital outlay plus the average profit—this sum is the “price of production”. Clearly the farmer with the most fertile land giving two quintals per acre will find it profitable to produce even at a low market price of Rs 60 per quintal with a total revenue of Rs 120, he has no surplus profit but gets the average profit at this price. But at this price the farmer with Type C land producing a lower yield will get a revenue of only Rs 90, which is a deficit of Rs 30 compared to the required revenue of Rs 120, and neither this land nor land types B and A of even lower fertility with even larger deficits, will be cultivated.

Table 1 A Numerical Example to show Ricardian Surplus Profit (Ricardian so-called “rent”) owing to Variation in Land Fertility under Capitalist Cultivation

<table>
<thead>
<tr>
<th>Farmer with land type</th>
<th>Capital advanced/revenue (Rs)</th>
<th>Output per acre quintal</th>
<th>Surplus-profit at price per quintal</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>100/120</td>
<td>2 (most fertile)</td>
<td>0/40/80/120</td>
</tr>
<tr>
<td>C</td>
<td>100/120</td>
<td>1.5</td>
<td>-30/0/30/60</td>
</tr>
<tr>
<td>B</td>
<td>100/120</td>
<td>1.2</td>
<td>-48/-24/0/24</td>
</tr>
<tr>
<td>A</td>
<td>100/120</td>
<td>1.0 (least fertile)</td>
<td>-60/-40/-20/0</td>
</tr>
</tbody>
</table>

Note: The same extent of capital, Rs 100, is invested per unit area on each land type and at the assumed average profit rate of 20 per cent the revenue from sale of produce has to be Rs 120 for each type of land. The most fertile land can be profitably cultivated at a price of Rs 60 per quintal of output but the least fertile land requires Rs 120 per quintal, at which price more fertile lands will give surplus profits to the farmer.

The market price has to rise to Rs 80 per quintal for the farmer with type C land to also find it profitable to bring it under cultivation, which will happen if society’s demand cannot be satisfied by the output of all the most fertile land, type D alone. At
Rs 80 per quintal however, the most fertile land will give a revenue of Rs 160 which represents a surplus-profit of Rs 40. It is this surplus profit that Ricardo mis-labels “rent”. As the market price rises further with growth in demand outstripping supply, less and less fertile land comes under cultivation and therefore the more fertile lands give higher and higher surplus-profits. When farmers find it profitable to cultivate the least fertile land A at a market price of Rs.120 per quintal, the most fertile land enjoys a surplus profit of Rs 120 and farmers with type B and C land have surplus profits of Rs 24 and Rs 60 respectively. Of course, each farmer may also have different types of land and will extend cultivation to less fertile land on his own farm as price rises. The price which covers the outlay plus average profit is termed the “price of production.” Here the individual price of production for favourably endowed capitalist farmers, is less than the average price of production, which enables them to make surplus profits.

Thus Ricardo says that at each price, land will actually be brought under cultivation provided it gives the farmer an average profit on his capital outlay, namely gives him the price of production, but such land will not give any surplus profit. Since surplus profit is equated by Ricardo with “rent”, the least fertile land under cultivation is designated “no-rent land”. Thus, in Table 1 the least fertile land of type A is cultivated when the price rises to Rs 120 at which the average profit of 20 per cent is obtained but surplus profit is zero. Since surplus profit as such is wrongly labeled by Ricardo as “rent” it is said that “the least fertile land under cultivation gives no rent”, a proposition students are taught to this day. Clearly the existence of landed property, of landlords and tenants, is not germane to this argument at any point whatsoever.

It is easy enough to see what historical factors influenced Ricardo to develop his argument. The Napoleonic War period through which Ricardo lived, saw a rapid rise in agricultural, especially food grains prices in England. The rapid inflation made
it profitable for farmers to extend cultivation even to barren hill-sides which had never in recorded history, been cultivated before owing to the high cost of production. The fertile plains lands gave large surplus profits to farmers at these high prices. (Subsequently, with the post-War deflation from 1815, cultivation also contracted). The same argument can be recast in terms of successive doses of capital applied to the same unit of land, where the four levels in Table 1 are four successive doses with the initial dose giving the highest yield and the last dose giving the lowest yield.

The apparently innocuous argument by Ricardo illustrated in Table 1 has proved to be a most dangerous one in the history of economic thought. It is not that the simple formal reasoning of the argument on surplus profits *per se* is wrong: it is correct, provided we do not label surplus profit for individual producers as "rent". The problem arises from the verbal equivocation by Ricardo. By labeling mere surplus profit, which exists quite independently of any social relations of production or landlordism, as "rent", by using the same term "rent" while imbuing it with a completely different content and sense from its earlier usage, Ricardo subverted this earlier usage, which reflected the correct concept of rent as necessarily being caused by property right, which Adam Smith and previous economists had developed.

No amount of detailed explication by Marx subsequently—that Ricardo's surplus profit here exists only as surplus profit, it is a *differential* surplus profit (arising from the different extents to which individual capitalists' costs of production are lower than the average cost of production), and it is "transformed into rent" only when the capitalist producer is a tenant of a landlord—has been heeded by subsequent economic theory, which has picked up Ricardo's technological cost-of-production concept and ignored the property-based Smith-Marx concept completely.

In the chapter on "differential rent" in *Capital*, Vol. III, extracts from which are reproduced in this book, Marx discusses in great
detail what is entailed in the “transformation” of Ricardo’s differential surplus-profit into differential rent, under the capitalist mode of production. (Let us remember however, that Ricardian “rent” will exist under every mode of production since it is unrelated to the specific property structure, and extra income for the producer operating at lower than average cost will exist in every system).

If the capitalist farmer is an owner who is cultivating the land using hired labour, then the surplus profit he obtains on the more fertile land (when the market price is high enough to give average profit on less fertile land) will be pocketed by him directly and it is not transformed into rent. If the capitalist farmer has leased the land and lowers cost below the average during the period of lease, he will again pocket the surplus profit and it is not paid as rent. It is only if, at the expiry of the old lease and its renewal the landlord, observing the higher-than-average profit, demands a higher rent than before, that the surplus profit is “transformed into rent”.

Referring back to Table 1, there is an obvious logical contradiction in saying that “the least fertile land under cultivation pays no rent”—here it is type A land, cultivated at an average profit when the price is Rs 120—if this least fertile land, like all other land cultivated by capitalists in England, has to be leased from a landlord. Why should the landlord allow it to be cultivated by the capitalist tenant completely free, without demanding rent?

As Marx puts it,

The fact that the tenant farmer could realise the usual profit on his capital did he not have to pay any rent, is by no means a basis for the landlord to lend his land gratis to the farmer and to become so philanthropic as to grant credit gratuit for the sake of a business friendship. Such an assumption would mean the abstraction of landed property, the elimination of land-ownership, and it is precisely the existence of the latter
that constitutes a limitation to the investment of capital and
the free expansion of capital in the land. (*Capital*, Vol. III, Ch. 
XLV)

Again the problem arises in the statement “the worst land is
no-rent land” in Ricardo, from the verbal equivocation in his form-
ulation, which detaches the term “rent” from every previous
author’s correct understanding of a payment made to a landowner
by the user of the land, and attaches it exclusively to a different
concept, to individual surplus profit at a given price of the product,
regardless of whether there are landlords and tenants.

The correct formulation, avoiding the verbal fallacy, would
be: “As long as landownership and cultivation is by different
agents, the least fertile owned land under cultivation may produce
no surplus profit which can be transformed into differential rent,
but even the least fertile leased land, to come under cultivation at
all, must produce a surplus profit payable as absolute rent to the
landlord”—and obviously, this can happen only if the market
price is higher than Rs 120. We will return to what Marx called
“absolute ground rent” in the next section.

Ricardian differential surplus profits can only be calculated in
relation to the given market price as Table 1 shows, and these
surplus profits do not determine what the price is. D.H. Robertson
in his *Principles of Economics* which is copiously interspersed with
sketches and quotes from *Alice in Wonderland*, has an amusing
sketch showing an ill-dressed man labeled “Rent” standing
forlornly in front of an impressive, large pillared neo-classical
building marked “Price” into which he is not permitted to enter.
This is meant to illustrate the long-standing debate over whether
“rent enters into determining price”.

The debate over whether “rent enters price” is easily resolved
once the conceptual confusion introduced by Ricardo’s labeling
his specific concept as “rent”, is understood. Ricardo’s surplus
profit for individual capitals, which he mis-labelled “rent” does not enter into determining price, in fact it is predicated on taking a given price. But as long as there is monopoly of land ownership and cultivation is by tenants, the landlords will extract absolute ground rent by demanding that a surplus profit payable as rent be produced by all cultivators, and thereby ensure that the price of the product is higher than it would be under a system of no land ownership monopoly. Differential surplus profits do not enter into determining price, and are predicated on a given price determined by competition of capitals. Absolute ground rent however does enter into determining price because landlords insist on being paid rent without which they will not permit cultivation by tenants, and no tenant will therefore cultivate unless on average he gets not only average profit but also a surplus profit payable as rent.

3. Absolute Ground Rent and how it Acts as a Barrier to Productive Investment and Growth

Marx termed as “absolute ground rent”, the Adam Smith concept of rent taken by landlords concentrating landownership, from tenants who in the English context were capitalist producers in agriculture using wage-paid labour for the purpose of profit. As earlier noted this was the prevalent concept of rent, before Ricardo muddied the conceptual waters by attaching the same term to the completely different concept discussed in the previous section. Marx distinguished Ricardo’s concept of differential surplus profits as “differential rent” in the context of the prevalence of the landlord-capitalist system in England, while making it clear that such differential surplus profits did not arise from the property system. Absolute ground rent on the other hand was necessarily caused by the fact of the concentration of landed property in a few hands, which enables the landlord to appropriate surplus as rent. The differential surplus profits were also always incorporated into absolute rent wherever landlordism existed.
Ricardo put forward criticisms of Adam Smith on rent, which are *prima facie* surprisingly unreasonable, coming as they did from a person of such rigorous analytical abilities. Thus Ricardo took issue with Smith for terming as rent, the payment made to the landowner for the use of natural timber stands on his land and asserted that it could not be called “rent” because

the payment was made for the liberty of removing the timber and not for the liberty of growing it. (Ricardo 1986, Ch. 2)

Similarly he objected to Adam Smith’s terming “rent” the payment made to the landowner for the right to quarry stone or to mine coal under the ground owned by the landlord, arguing that

The compensation given for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land. (Ibid.)

If the payment for the “liberty of removing” the natural, non-produced timber, stone or coal, is not rent, then what is it? This is a question to which Ricardo has no answer, and the only answers which are implied by him—that it is profit or interest—cannot be maintained, as Marx points out, since the landowner has not invested anything. Marx says regarding Ricardo’s statement above:

This is very strange logic. . . . Ricardo argues as though this compensation were the same as profit and interest which are paid for capital invested in ameliorations of the land. But this is wrong. Has the owner of a “virgin forest” invested “capital” in it so that it may bear “wood” or has the owner of stone-quarries and coal mines invested “capital” in these so that they may contain “stones” and “coal”? Whence, therefore, his
“compensation”? It is by no means—as Ricardo tries to make out—profit or interest of capital. *Therefore it is rent and nothing else, even if it is not “rent” as defined by Ricardo.* (Theories of Surplus Value, Part 2: 244 onwards; emphasis added.)

Ricardo’s chapter on rent, Marx remarks, “is inferior to Jones . . . and contains much that is unfair and *petitio principii.*” These strictures were surely fully justified. Ricardo refused to understand Smith’s argument, refused to enter at all into Smith’s concept of property monopoly giving rise to, *causing* rent, even though this was hardly a difficult concept to grasp. The reason for this was his firm adherence to his own concept which he assumed to be the sole concept of “rent”, that it was always a return above average profit, to actual investment by the producer under favourable conditions—which was precisely the opposite of what Smith and his precursors were saying, that unlike profit, rent was not a return to investment but a claim on the surplus owing to landed property right. In short Ricardo asserted his own concept simply by denying the blatant and obvious material reality, that landowners extracted enormously large rental incomes without necessarily making any investment in production at all and solely owing to their inherited ownership of non-produced useful resources, as Smith and previous writers had repeatedly stressed.

By ignoring such an important real phenomenon as the parasitic rentierism of landlords in his argument, Ricardo committed a *material fallacy* supported by the verbal fallacy of labeling as “rent”, mere surplus profits for below-average-cost producers. This fallacy has become, it seems, permanently imprinted on all subsequent economic theory in the form of a mislabeling of the category of excess profit for some producers, as “rent”. Ricardo did not theoretically make the distinction between rent caused by land ownership monopoly, and profit arising from investment, and neither therefore does modern economic theory.
The reality of land concentration and parasitic absolute ground rent has disappeared from modern mainstream theory completely, and only the benign Ricardian concept of profit in excess of average profit for low-cost producers, has survived.

Ricardo’s great and continuing influence arises from two sources—first, his flair for a formally correct and rigorous process of inference from the premise, which distracts attention from the fact that the premise itself (in this case, no land monopoly) represents an incorrect statement of fact (material fallacy) which renders his argument wrong; and second, the technologism of his argument which is solely based on cost of production, which completely sanitizes the discussion of rent of all socially critical content, a factor which is always very appealing to mainstream conservative scholarship afraid of disturbing the status quo.

The Ricardian legacy of the strange combination of formal rigour and non-factual, materially incorrect premise has persisted to this day in economic theory. Modern mainstream economic theory is characterized precisely by a high level of development of formally rigorous processes of inference, but very often based on premises which show a total contempt for material reality and for the precise use of terms. Any argument has three parts—the premise or premises, the process of inference from the premises, and the conclusion reached through this process of inference. Economists tend to forget that an argument may have a correct formal process of inference, but if the premise represents an incorrect statement of fact (material fallacy) or if there is incorrect use of terms (verbal fallacy) then the theory is wrong and the conclusion is incorrect.

The theory of rent is not the only area in which Ricardo commits a material fallacy (ignoring landed property) and supports it by a verbal fallacy (giving a different meaning to the term “rent” which de-links it from property). In his theory of trade—the famous theory of comparative advantage—there is a
material fallacy in that the premise represents an incorrect statement of fact (both countries produce both goods) supported by a verbal fallacy (use of the term “grow wine” by Ricardo), which renders incorrect the conclusion of mutual benefit from specialization and trade.  

Marx, as will be seen from the passage from *Theories of Surplus Value*, Part 2, reproduced in this volume, had a rather sympathetic position with regard to Ricardo’s mistake because he thought that it arose not from apologetics, not from a pro-landlord position downplaying the parasitic nature of landlordism and justifying rent as was being done by Malthus, but rather it arose from Ricardo’s commitment to his “science”, from his adherence to the (albeit mistaken) premise of his system, that commodities exchanged exactly according to labour values. We can only understand Ricardo’s obdurate position of ignoring the economic effects of concentrated land ownership, in the light of Marx’s own analysis, that Ricardo was rendered theoretically blind to absolute ground rent, owing to his unshakeable—though mistaken—premise that commodities necessarily exchanged at prices exactly equal to labour values.

If commodities did exchange at prices exactly equal to labour values (a position Ricardo held despite knowing the contradictions in it) then the average price which allowed a general surplus profit for agriculture payable as absolute rent, would co-exist with the average price in manufacturing which allowed no such general surplus profit. This would imply—given Ricardo’s premise that values and prices were the same—that a larger quantity of labour in agricultural products would have to exchange against a smaller quantity of labour in manufactures, and his entire theory of

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5 For my critique of Ricardo on the theory of comparative advantage, see Patnaik 2006, and for a more general treatment of fallacies in economic theory, Patnaik 2004.
exchange according to labour values, would then collapse. Marx explains this very clearly:

Ricardo abstracts from the question of absolute rent which he denies on theoretical grounds because he starts out from the false assumption that if the value of commodities is determined by labour-time, the average prices of commodities must equal their values. . . . If values of commodities and average prices of commodities were identical, then absolute rent—i.e., rent on the worst cultivated land or on that originally cultivated—would be equally impossible. . . . If, on the other hand, one knows that averages prices and values are not identical, that the average price of a commodity may be either equal to its value or bigger or smaller, then the question, the problem itself, disappears and with it also the hypotheses for its solution. (Theories of Surplus Value, Part 2, Ch. IX; emphases in original.)

Given the “false assumption” of the identity of values and prices, there is no room for absolute ground rent. In Marx's system on the other hand, while values were the basis of prices, prices were shown to be non-identical with values and to deviate from them in a systematic manner according to varying organic compositions of capital in order to yield the same profit rate in all branches of production. This degree of freedom allowed Marx to incorporate absolute ground rent in agriculture into his system.

Even while recognizing some of the logical problems caused by his assumption, that prices and labour values were identical, Ricardo nevertheless never considered giving up this assumption. As Marx says of Ricardo,

It does not even occur to him that value and average price are different. He only gets as far as their identity. Since however
this identity does not exist when the ratio of the organic component parts of capital varies, he accepts it as an unexplained fact brought about by competition. Hence too, he does not come up against the question: Why do the values of agricultural products not equalise in average prices? On the contrary he assumes that they do so and poses the problem from that point of view. (Ibid.; emphases in original.)

Marx’s explanation does seem to be convincing, that his theory of value and specifically the assumption that values and prices were identical, was the reason Ricardo maintained that rent necessarily arose, albeit for some and not all producers, solely as a return to their investment of capital in production. No matter how blatant was the reality of land concentration and the power of landed property to extract surplus without making any outlay, he simply ignored it because this reality of absolute rent raising the general price above the price of production, did not fit into the premise of his theoretical system.

We may draw an analogy with the devout Galileo, who when faced with the reality of observations showing that planets did not move in perfectly circular orbits but in elliptical orbits, refused to give up his firmly-held premise that the universe was an expression of God’s perfection which, for him, necessarily implied that planetary orbits had to be perfect circles. Therefore he constructed a most complicated system of circular epicycles to explain the deviation of actual observations from those predicted by him. Science could proceed only when his artificial system was given up and the simple fact was recognized that planetary orbits were elliptical, and this had nothing to do with belief or otherwise in God’s perfection.

Similarly, Marx cut decisively through the Gordian knot—in this case, the Ricardian knot—by discarding Ricardo’s assumption altogether that prices of production and values were identical,
and showed instead that the price system while it was based on and derivable from the value system, was not identical with it. He was able thereby to retain the theory of value while incorporating absolute rent into it. Ricardo's modern followers however have continued to build, as it were, the equivalent of epicycle models by constructing theoretical systems consistent with Ricardo's assumption—which systems, however seductive they might be as abstract systems, have nothing to do with capitalist reality.

To summarize the discussion, what Adam Smith terms as "rent", and Marx classifies as "absolute ground rent", is firmly linked to landed property for it cannot arise at all unless there is a concentration of landed property with landlords leasing out to tenants operating the land. Landed property is both a necessary and sufficient condition for rent to exist, hence rent is the correct conceptual label to use. Landed property is neither necessary nor sufficient for what Ricardo terms "rent", to exist, so we would contend that it is a wrong labeling on Ricardo's part to use the term "rent" at all: his theory of rent is more correctly a theory of varying surplus profits. If the producer happens to be a tenant rather than an owner, this surplus profit in whole or part gets transferred to the landowner.

Marx states this very clearly when talking of Ricardo's concept:

Landed property is here merely the cause for transferring a portion of the commodity-price which arises without the property having anything to do with it . . . the cause for transferring this portion of the price . . . from the capitalist to the landlord. But landed property is not the cause which creates this portion of the price, or the rise of price upon which this portion of the price is premised. On the other hand, if the worst soil A cannot be cultivated—although its cultivation would yield the price of production—until it produces something in excess of this price of production, rent, then
landed property is the creative cause of this rise in price. *Landed property itself has created rent.* (Capital, Vol. III, Ch. XLV; emphases in original.)

Absolute ground rent is best expressed in Marx's own words:

Assume the market-price of grain... to be sufficient to permit taking of portions of soil A under cultivation and that the capital invested in these new fields could return the price of production, i.e., replace capital plus average profit. Thus assume that conditions exist for normal expansion of capital on soil A. Is this sufficient? Can this capital then really be invested? Or must the market-price rise to the point where even the worst soil A yields rent? In other words, does the landowner's monopoly hinder the investment of capital which would not be the case from a purely capitalist standpoint in the absence of this monopoly?... if the worst soil A cannot be cultivated—although its cultivation would yield the price of production—until it produces something in excess of this price of production, rent, then landed property is the creative cause of this rise in price. **Landed property itself has created rent.**...

The mere legal ownership of land does not create any ground-rent for the owner. But it does, indeed, give him the power to withhold his land from exploitation until economic conditions permit him to utilize it in such a manner as to yield him a surplus, be it used for actual agricultural or for other production purposes, such as buildings, etc. He cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market. Hence, as Fourier... observed, it is a characteristic fact that in all

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*Note that in Marx's example the worst soil is A while in our Tables the worst soil is D.*
in civilised countries a comparatively appreciable portion of the land always remains uncultivated.

Thus, assuming the demand requires 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 for 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 this land? By no means. The investment of capital must yield him rent. He does not lease his land until he can be paid lease money for it. Therefore, the market-price must rise to a point above the price of production, i.e., to \( P+r \), so that rent can be paid to the landlord. (Ibid.; emphases in original as well as added.)

In Table 2 the example of Table 1 has been modified to show the effects of absolute rent in the light of Marx’s remarks. Assume now that the capitalists cultivating each type of land are tenants of landlords. They can produce to obtain an average profit at a 20 per cent rate on their capital, so the price of production remains Rs 120 as before. But the landlord will lease the land only on a rent amounting, say, to 30 per cent of the capital advanced, or Rs 30. The price has to exceed the price of production for every type of land in order that a rate of surplus profit of 30 per cent is produced and paid as rent, for the land to at all come under cultivation. “Therefore, the market-price must rise to a point above the price of production, i.e. to \( P+r \), so that rent can be paid to the landlord.”

The range of price at which each land type will be cultivated will be Rs 75 to Rs 180, and not Rs 60 to Rs 120 when land was not leased. Thus the land which is the least fertile land under cultivation at each point of time also has to produce a surplus profit payable as rent and there does not exist any “no-rent” land under cultivation. In Table 2 it is assumed that the entire differential surplus profits which arise on the better-yield land as price rises to
allow poorer-yield land to be cultivated, are also incorporated into absolute rent and appropriated by the landlord once the lease is renewed. Thus by the time price rises to Rs 150 and allows the worst land A to be cultivated, the best land without a single rupee of additional investment, gives a surplus profit of Rs 180, which is entirely appropriated by the landlord as absolute rent once the lease falls due for renewal. The “original” level of Rs 30 absolute rent may be thought of as a floor below which the landlord will not go, in leasing out his land, but it is by no means a ceiling: the power of land monopoly will normally allow the landlord to demand and absorb the entire rise in surplus value arising from a rise in output price.

There was no excess of price over the average price of production in Table 1 illustrating Ricardo’s concept since there are no landlords necessary to this concept. There has to be an excess of price over the average price of production as soon as we assume production under land lease from landlords, and this excess is created solely by the existence of land monopoly. It is in the nature of a tax imposed on society by landlords owing to their inherited property rights.

Table 2 Production under the landlord-capitalist tenant system: Absolute Ground Rent raises the Price of the Commodity above the Price of Production

<table>
<thead>
<tr>
<th>Farmer with Capital advanced/</th>
<th>Output per acre, quintal</th>
<th>Surplus-profit=Rent, at price/quintal</th>
</tr>
</thead>
<tbody>
<tr>
<td>land required type revenue</td>
<td></td>
<td>Rs</td>
</tr>
<tr>
<td>D 100/150 2 (most fertile)</td>
<td>30</td>
<td>80</td>
</tr>
<tr>
<td>C 100/150 1.5</td>
<td>-7.5</td>
<td>30</td>
</tr>
<tr>
<td>B 100/150 1.2</td>
<td>-30</td>
<td>0</td>
</tr>
<tr>
<td>A 100/150 1.0 (least fertile)</td>
<td>-45</td>
<td>-20</td>
</tr>
</tbody>
</table>

Note. The same extent of capital, Rs 100, is invested per unit area on each land type and at the assumed average profit rate of 20 per cent on capital the price of production is 120, but the market price has to be higher to give the rent payment rate of 30 per cent on capital. The total revenue has to be Rs 150 for
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each type of land for it to come under cultivation, since a surplus profit of Rs 30 is payable as absolute rent.

The category of rent proper, arising from land monopoly in a few hands, reflects the fact that landlords hold society to ransom. Absolute rent acts as a barrier to the expansion of production, as Marx repeatedly points out. There are capitalist producers who would be quite happy to undertake cultivation on a piece of land provided they got the average profit (for peasant producers in developing societies, we may replace "average profit" by "customary subsistence income") but they cannot produce at the given market price as long as they must lease in land to do so, for they have to produce a surplus above average profit (above customary income in the case of peasants) which can be paid as rent. This rent does "enter into price" for it implies that as long as land concentration exists, for given demand conditions, market price in agriculture must rise above the price giving average profit, to the extent of rent demanded by landlords for even the worst land.

Historically the burden of absolute ground rent on the producer has been heavy. In traditional agriculture usually at least one-third to two-fifths of the gross output even on the worst land, has to be paid to a landlord who does not advance anything for production. Absolute rent absorbs on average virtually the entire economic surplus generated in peasant production where the peasant has to lease in land and typically amounts to half of gross output under peasant cultivation. Under capitalist cultivation by tenants whether in developing economies or in advanced countries, the quantum of absolute rent may be much larger, but expressed as a share of output and of economic surplus, it is lower since the economic surplus generated has to cover both profit to the capitalist farmer and rent to the landlord.

The existence of absolute ground rent implies also that investment cannot be undertaken even by those who produce a
surplus-profit (in peasant production, those who produce a surplus above the customary income) since this is absorbed as rent by landlords. The abolition of land ownership monopoly through land reform is therefore the only way to remove the burden of absolute ground rent and to set free the forces of production. That part of the surplus which was earlier being paid as absolute ground rent, can then remain in the actual producers' hands whether he is a capitalist or peasant, and can be used for investment. In a developing country the abolition of absolute ground rent through redistributive land reforms also means that the State can centralize resources for development by taxing agricultural producers without any lowering of their standard of life and indeed if taxation is moderate, with an improvement in welfare. Thus the concept of absolute ground rent is crucial for the strategy of development as well.\footnote{Elsewhere I have looked at the land reform strategies followed in revolutionary China as compared to reformist India from the point of view of the contribution of land reform to resources for development. Lippit 1974, Patnaik 1998.}

It is on this basic, fundamental distinction between the category of \textit{profit} and the category of \textit{rent}, that the correct understanding rests, of land relations in all societies, and in particular of developing non-socialist economies, where land concentration in a few hands and absolute ground rent continue to be of great importance.

\textit{Why does Modern Analysis of Peasant “Tenancy” Always Specify only the Propertyless Labourer as a “Tenant”?}

It is a remarkable fact that all modern theorizing by economists on peasant tenancy puts the label “tenant”, on an economic agent who owns no land or other means of production and therefore contributes virtually nothing but labour to production. No other type of “tenant” is mentioned other than this propertyless near-
labourer in these discussions. Labour directly hired for wages by
the landlord, and "tenant" labour paid by a share of product, are
thought of as comparable and interchangeable categories in these
models. This is true of all theorization on tenancy during the last
four decades, whether within the neo-classical framework or any
other putative framework, starting from A.K. Sen (1966), S.N.S.
Bhaduri (1973, 1993) D.M.G. Newbery and J.E. Stiglitz (1979),
and many other more recent papers in the same tradition.

Now, the landholding data for India show that three-fifths of
all land leased in is done so by the top 15 per cent of operational
holdings with an average farm size of 20 acres (which is large in
relation to an overall average operational holding size of about 5
acres). Thus the bulk of leased in land is certainly not with destitute
persons but with peasant farmers possessing livestock, equipment
and other means of production, peasant farmers who take
independent decisions on what crops to produce and how to
organize the labour process. All farm households in this top
category hired labour and most hired more labour than they put
in family labour. The situation in Southern Europe where some
tenancy still prevails is unlikely to be different. Since the peasantry
is highly differentiated, so are tenants as economic types, ranging
from poor peasant tenants at one pole to mainly hired-labour
using rich peasant tenants at the other pole.

There is a very good reason that present day claims to model
"tenancy" in fact ignore the real content of tenancy, ignore the
material fact that the bulk of land under lease is with substantial
peasant producers, and instead these models invariably specify
the "tenant" as nothing but a mere contributor of labour, who is
paid a share of the crop rather than a fixed cash wage, but who is
otherwise on par with the hired farm worker or casual labourer. I
believe that the reason behind the theoretical failure to address
the question of tenancy arises from the total lack of any concept of absolute ground rent in the thinking of all these authors, who are trained in theory derived from Ricardo. *Absolute ground rent* in the context of peasant agriculture is nothing but the surplus of net output over and above the cost of production for peasant tenants inclusive of their subsistence costs, which surplus is appropriated mainly as rent by landlords (and partly as interest on loans by creditors).

As Marx had clearly explicated, Ricardo labeled as rent a category which was not absolute rent at all but differential surplus profit, and we may add that modern authors influenced by the mainstream Ricardian tradition also confuse the category of rent with that of profit, but in a somewhat different manner and within a different context. The landowner-labourer relation and profit as the form of surplus are the only concepts the modern economists actually understand and therefore can model, so in order to discuss what they term “tenancy” the content of really existing landlord-tenant relationships is ignored, and the label “tenant” is put on an economic agent who is not a tenant but a labourer and the label “rent” is put on what is actually profit. The only difference is that Ricardo heroically ignored the blatant material reality of land ownership concentration giving rise to absolute ground rent in order to preserve the consistency of his labour theory of value, but modern authors have no such excuse: they confuse rent and profit anyway, without even accepting the labour theory of value.

*The theorization of tenancy in the context of peasant agriculture has suffered as a result.* It would not be an exaggeration to say that there exists no correct theory at all in modern economic writings, of rent arising specifically in agriculture and specifically from ownership of landed property. This does not perhaps matter much for advanced economies today but this conceptual famine has seriously affected the analysis of agriculture in developing economies like India, where agriculture employs two-thirds of the
work force, and where three-fifths of the land is owned by less than a tenth of the landowners. To lack the concept of rent arising from land ownership concentration, namely to lack the concept of absolute ground rent, here becomes a serious handicap.

The classical economists and Marx, as well as Marshall after them, always thought of the tenant as either a fully capitalist farmer on the English model, or a peasant farmer with his own livestock and means of production, under the metayage or sharecropping system on the European Continent. The peasant might borrow some money or inputs from the landlord under metayage, but he organized production and controlled the labour process, in short was in substance an independent producer. Out of the total economic surplus he produced, a part was retained as his profit and a part paid as rent to the landlord plus interest on borrowed funds if any to the creditor.

The extant neo-classical models of sharecropping and models of "semi-feudalism" alike fail to capture the dynamic economic effects of land monopoly on production and investment because they lack the concept of absolute rent. They specify a sharecropper as a destitute person contributing only labour, and not as a peasant with means of production. Thereby the very definition of the sharecropping tenant is altered from that which existed in all the earlier literature up to and including Marshall though the fact that it has been altered is not recognized by the concerned authors. The fixed and working capital necessarily must be provided by the landowner where the sharecropping "tenant" has nothing but labour to provide, and it is likely that the cropping decisions and organization of the labour process would be overseen by the landowner where the "tenant" is not an independent producer. Therefore what the sharecropper retains as his share of net output in these models, is *in actual economic content*, wages in kind, and what the landowner gets, though mis-labeled rent, is *in economic content*, profit on the capital he has advanced.
A neo-classical model using the utility calculus, like Bardhan and Srinivasan 1971, explicitly treats the putative tenant as labourer, since his income comes from two sources of work—share of output as return to labour put in on landlord land, and wages from hiring out on the labour market. But even models not using the neo-classical utility calculus, such as Bhaduri’s well known model of “semi-feudalism” explicitly specifies the “tenant” as having little or no means of production (Bhaduri 1973, 1993). A labourer is not an independent producer with savings, he obviously has no means of surviving until the next harvest and will always require a wage advance from the employer. What is termed a “consumption loan” in the model is in its economic content, nothing but an initial wage-advance by the landowner in kind, supplemented by a nominal harvest-share wage adjusted down to a lower actual kind wage by way of deduction of the initial advance with interest; while what is termed “rent”, is nothing but profit on the capital advanced, by way of the wage advance plus the other outlays the landowner makes.

The actual effects of landed property concentration in raising the barrier of absolute ground rent to technological change and to expansion of production, operates in a manner which these models cannot possibly capture since they lack the very concept of absolute rent. In a developing economy like India, the existence of land ownership concentration, implies that absolute ground rent is an important element of surplus in agriculture, which raises a barrier to investment. The peasant tenant is not a labourer: he produces a surplus over and above customary subsistence, by applying his own and family labour using his owned livestock and other means of production with the leased land as site of productive activity. The landlord need not necessarily provide any capital, fixed or working, at all in order to take the surplus as rent, which is therefore pure absolute rent. This gratis element of rent as a return to property ownership as such is the crucial feature which
makes it a barrier to investment. To repeat Marx’s observation with regard to the leasing of land by the landlord to the capitalist farmer in the English context,

The investment of capital [by the capitalist tenant] must yield him [the landlord] rent. He does not lease his land until he can be paid lease money for it. Therefore, the market-price must rise to a point above the price of production, i.e. to $P+r$, so that rent can be paid to the landlord.

This proposition has been adapted to the conditions of a developing economy by the present author, to argue that if a landlord is already leasing to peasant farmer as in India and obtains a rent $r$ paid out of the prevailing market price (which covers the peasant’s cost including customary subsistence, and generates a surplus paid as rent $r$), then for the landlord himself to undertake investment of capital, he has to obtain $P+r$, namely not only the rent he was getting from the peasant tenant without making any outlay, but also the profit foregone on the capital he now invests in agriculture, which was earlier held in other income yielding forms. The transition of rentier landlord to capitalist producer thus requires profitability conditions which are onerous, for the pure rent income of the landlord is already high—on average half of the gross output: hence the return to the investment of any capital in direct production requires a quantum rise in surplus equal to this high rent, over and above the usual rate of profit on capital in the economy, which is only possible if this investment embodies land-augmenting technical change to the required extent (Patnaik 1983). Nor is such a transition irreversible: if profitability falls then tenancy is preferred by landowners to direct capitalist cultivation.

While during the period of green revolution in India the availability of new technology which augmented land and raised
yields substantially meant that the rent-barrier was indeed overcome and a substantial switch by landlords from rentierism to direct capitalist investment did take place, the situation is very different at present. Fifteen years of neo-liberal economic reforms, which have been severely expenditure-deflating in agriculture and has been combined with rising input costs, has lowered the profitability of direct cultivation and led to a crisis situation for the peasantry. The trend towards usury and rentierism has again re-asserted itself strongly in recent years (Patnaik 2005b, 2006).

4. Capitalism in Agriculture

The third and last section of this selection of readings introduces the reader to the important questions of the nature of modern capitalist penetration of peasant agriculture, by presenting extracts from Karl Kautsky's Die Agrarfrage (The Agrarian Question) and V.I. Lenin's review of the book as well as his defence of Kautsky against critics.

In developing his own analysis of the agrarian question in general and capitalist production in Russia in particular, Lenin integrated three main sources of theory and empirical analysis. The first source was Marx's writings on pre-capitalist relationships including forms of landed property and surplus extraction, and the formation of a propertyless labour force. It also included the question of the very different roles played by usury and by merchant's capital in the transition to a capitalist agriculture. The second source drew upon the Marxist theory of ground rent, which we have discussed already. The third source was the voluminous Russian literature, based on the zemstvo or district statistical data, which was directly analyzed by Lenin from a Marxist perspective to delineate the process of capitalist development in agriculture and the ongoing process of the formation of a class of capitalist producers at one pole and of wage-paid workers at the other.
By integrating these three sources into his analysis of the agrarian question, Lenin formulated a definitive theoretical perspective on an entire gamut of issues including the forms in which capitalist relations were developing even within the landlord economy. His classic work dealing with these issues was *The Development of Capitalism in Russia*, published in 1899. The second volume in this series will present at length extracts from this classic to bring out its main arguments. When Lenin’s book was already in press at the end of 1898, the study by the German Marxist Karl Kautsky, titled *Die Agrarfrage* appeared. Lenin’s published a short review (which is included in the present selection) of Kautsky’s *Die Agrarfrage*. Lenin considered Kautsky’s study to be a most important contribution to the Marxist analysis of agrarian relations of production in the capitalist era and warmly endorsed the theoretical perspective and empirical analysis of the book. Kautsky’s study was attacked in Russia by those writing from other theoretical positions, and Lenin wrote a long article not only defending Kautsky but also setting out his own views, which is also included at the end of this selection.

Kautsky’s book was translated into French in 1900 but owing to copyright difficulties an English translation did not appear until nearly a century after its first publication, in 1988. From the first part of Kautsky’s book we have selected some specific materials dealing with the important questions of the penetration of capital into agriculture and the extreme caution required while interpreting statistics relating to agriculture. Lenin’s own analysis of the dynamics of agrarian change involved a continuous theoretical engagement with and refutation of the influential Russian Narodnik (Populist) views, which provided a critique of the treatment of statistics by the Narodnik authors. Lenin’s own analysis used a different method of grouping of the very same...
statistics that the Narodniks used, in order to bring out the dynamic processes of change taking place in the agrarian economy. Lenin found similar observations by Kautsky, on how the German and other European countries' statistics on distribution of landholding by area were being incorrectly used by the Populists to deny the evidence on capitalist development and to argue that small holdings were on the increase, thereby ignoring the fact that these "small holdings" were those of allotment holding farm workers. Similarly, while Lenin, analysing budget data, had found that rural labourers in Russia had a marginally higher standard of living than the poorest farmers, Kautsky independently arrived at the same conclusion from his analysis of German data.

All the above issues will emerge with fuller clarity in the second volume; the last section in this volume is intended merely as a preliminary introduction to this range of issues.

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The source for each selection is given at the end of the selection. We have used . . . to indicate that some words within a sentence have been left out, and [...] where entire sentences or passages have been omitted.

References
Note: Quotations from Karl Marx which are taken from the passages reproduced in this volume, are already sourced, so the reference is not repeated below. References to works not already included in this volume are mentioned below.


Caballero, J. M., 1983. "Sharecropping as an Efficient system—Further Answers to
an Old Puzzle", in Byres 1983.
The Primitive Accumulation of Capital
We have seen how money is changed into capital; how through capital surplus-value is made, and from surplus-value more capital. But the accumulation of capital pre-supposes surplus-value; surplus-value pre-supposes capitalistic production; capitalistic production pre-supposes the pre-existence of considerable masses of capital and of labour-power in the hands of producers of commodities. The whole movement, therefore, seems to turn in a vicious circle, out of which we can only get by supposing a primitive accumulation (previous accumulation of Adam Smith) preceding capitalistic accumulation; an accumulation not the result of the capitalistic mode of production but its starting point.

This primitive accumulation plays in Political Economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race. Its origin is supposed to be explained when it is told as an anecdote of the past. In times long gone by there were two sorts of people; one, the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living. The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. Never mind! Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few
that increases constantly although they have long ceased to work. Such insipid childishness is every day preached to us in the defence of property. M. Thiers, e.g., had the assurance to repeat it with all the solemnity of a statesman, to the French people, once so spirituel. But as soon as the question of property crops up, it becomes a sacred duty to proclaim the intellectual food of the infant as the one thing fit for all ages and for all stages of development. In actual history it is notorious that conquest, enslavement, robbery, murder, briefly force, play the great part. In the tender annals of Political Economy, the idyllic reigns from time immemorial. Right and “labour” were from all time the sole means of enrichment, the present year of course always excepted. As a matter of fact, the methods of primitive accumulation are anything but idyllic.

In themselves money and commodities are no more capital than are the means of production and of subsistence. They want transforming into capital. But this transformation itself can only take place under certain circumstances that centre in this, viz., that two very different kinds of commodity-possessors must come face to face and into contact; on the one hand, the owners of money, means of production, means of subsistence, who are eager to increase the sum of values they possess, by buying other people’s labour-power; on the other hand, free labourers, the sellers of their own labour-power, and therefore the sellers of labour. Free labourers, in the double sense that neither they themselves form part and parcel of the means of production, as in the case of slaves, bondsmen, &c., nor do the means of production belong to them, as in the case of peasant-proprietors; they are, therefore, free from, unencumbered by, any means of production of their own. With this polarization of the market for commodities, the fundamental conditions of capitalist production are given. The capitalist system pre-supposes the complete separation of the labourers from all
property in the means by which they can realize their labour. As soon as capitalist production is once on its own legs, it not only maintains this separation, but reproduces it on a continually extending scale. The process, therefore, that clears the way for the capitalist system, can be none other than the process which takes away from the labourer the possession of his means of production; a process that transforms, on the one hand, the social means of subsistence and of production into capital, on the other, the immediate producers into wage-labourers. The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as primitive, because it forms the pre-historic stage of capital and the mode of production corresponding with it.

The economic structure of capitalistic society has grown out of the economic structure of feudal society. The dissolution of the latter set free the elements of the former.

The immediate producer, the labourer, could only dispose of his own person after he had ceased to be attached to the soil and ceased to be the slave, serf, or bondman of another. To become a free seller of labour-power, who carries his commodity wherever he finds a market, he must further have escaped from the regime of guilds, their rules for apprentices and journey-men, and the impediments of their labour regulations. Hence, the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians. But, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire.
The industrial capitalists, these new potentates, had on their part not only to displace the guild masters of handicrafts, but also the feudal lords, the possessors of the sources of wealth. In this respect their conquest of social power appears as the fruit of a victorious struggle both against feudal lordship and its revolting prerogatives, and against the guilds and the fetters they laid on the free development of production and the free exploitation of man by man. The chevaliers d'industrie, however, only succeeded in supplanting the chevaliers of the sword by making use of events of which they themselves were wholly innocent. They have risen by means as vile as those by which the Roman freedman once on a time made himself the master of his patronus.

The starting-point of the development that gave rise to the wage-labourer as well as to the capitalist, was the servitude of the labourer. The advance consisted in a change of form of this servitude, in the transformation of feudal exploitation into capitalist exploitation. To understand its march, we need not go back very far. Although we come across the first beginnings of capitalist production as early as the 14th or 15th century, sporadically, in certain towns of the Mediterranean, the capitalistic era dates from the 16th century. Wherever it appears, the abolition of serfdom has been long effected, and the highest development of the middle ages, the existence of sovereign towns, has been long on the wane.

In the history of primitive accumulation, all revolutions are epoch-making that act as levers for the capitalist class in course of formation; but, above all, those moments when great masses of men are suddenly and forcibly torn from their means of subsistence, and hurled as free and "unattached" proletarians on the labour-market. The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole process. The history of this expropriation, in different countries,
assumes different aspects, and runs through its various phases in
different orders of succession, and at different periods. In England
alone, which we take as our example, has it the classic form.¹

¹ In Italy, where capitalistic production developed earliest, the dissolution of
serfdom also took place earlier than elsewhere. The serf was emancipated in
that country before he had acquired any prescriptive right to the soil. His
emancipation at once transformed him into a free proletarian, who, moreover,
found his master ready waiting for him in the towns, for the most part handed
down as legacies from the Roman time. When the revolution of the world-
market, about the end of the 15th century, annihilated Northern Italy's
commercial supremacy, a movement in the reverse direction set in. The
labourers of the towns were driven en masse into the country, and gave an
impulse, never before seen, to the petite culture, carried on in the form of
gardening.

Karl Marx, Capital, Vol. 1, Part VIII: "The
So-called Primitive Accumulation",
Chapter XXVI, Moscow: Progress
In England, serfdom had practically disappeared in the last part of the 14th century. The immense majority of the population consisted then, and to a still larger extent, in the 15th century, of free peasant proprietors, whatever was the feudal title under which their right of property was hidden. In the larger seignorial domains, the old bailiff, himself a serf, was displaced by the free farmer. The wage-labourers of agriculture consisted partly of peasants, who utilised their leisure time by working on the large estates, partly of an independent special class of wage-labourers, relatively and absolutely few in numbers. The latter also were practically at the same time peasant farmers, since, besides their wages, they had allotted to them arable land to the extent of 4 or more acres, together with their cottages. Besides they, with the rest of the peasants, enjoyed the usufruct of the common land, which gave pasture to their cattle, furnished them with timber.

"The petty proprietors who cultivated their own fields with their own hands, and enjoyed a modest competence . . . then formed a much more important part of the nation than at present. If we may trust the best statistical writers of that age, not less than 160,000 proprietors who, with their families, must have made up more than a seventh of the whole population, derived their subsistence from little freehold estates. The average income of these small landlords . . . was estimated at between £60 and £70 a year. It was computed that the number of persons who tilled their own land was greater than the number of those who farmed the land of others." Macaulay: "History of England," 10th ed., 1854, 1. pp. 333, 334. Even in the last third of the 17th century, 4/5 of the English people were agricultural. (L.c., p. 413.) I quote Macaulay, because as systematic falsifier of history he minimizes as much as possible facts of this kind.
fire-wood, turf, &c. In all countries of Europe, feudal production is characterized by division of the soil amongst the greatest possible number of sub-feudatories. The might of the feudal lord, like that of the sovereign, depended not on the length of his rent-roll, but on the number of his subjects, and the latter depended on the number of peasant proprietors. Although, therefore, the English land, after the Norman conquest, was distributed in gigantic baronies, one of which often included some 900 of the old Anglo-Saxon lordships, it was bestrewn with small peasant properties, only here and there interspersed with great seigniorial domains. Such conditions, together with the prosperity of the towns so characteristic of the 15th century, allowed of that wealth of the people which Chancellor Fortescue so eloquently paints in his "Laudes legum Angliae"; but it excluded the possibility of capitalistic wealth.

The prelude of the revolution that laid the foundation of the capitalistic mode of production, was played in the last third of the 15th, and the first decade of the 16th century. A mass of free proletarians was hurled on the labour-market by the breaking-up of the bands of feudal retainers, who, as Sir James Steuart well says, "everywhere uselessly filled house and castle." Although the royal power, itself a product of bourgeois development, in its strife

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2 We must never forget that even the serf was not only the owner, if but a tribute-paying owner, of the piece of land attached to his house, but also a co-possessor of the common land. "Le paysan (in Silesia, under Frederick II.) est serf." Nevertheless, these serfs possess common lands. "On n'a pas pu encore engager les Silésiens au partage des communes, tandis que dans la Nouvelle Marche, il n'y a guère de village où ce partage ne soit exécuté avec le plus grand succès." (Mirabeau: "De la Monarchie Prussienne." Londres, 1788, t. ii, pp. 125, 126.)

3 Japan, with its purely feudal organization of landed property and its developed petite culture, gives a much truer picture of the European middle ages than all our history books, dictated as these are, for the most part, by bourgeois prejudices. It is very convenient to be "liberal" at the expense of the middle ages.
after absolute sovereignty forcibly hastened on the dissolution of these bands of retainers, it was by no means the sole cause of it. In insolent conflict with king and parliament, the great feudal lords created an incomparably larger proletariat by the forcible driving of the peasantry from the land, to which the latter had the same feudal right as the lord himself, and by the usurpation of the common lands. The rapid rise of the Flemish wool manufacturers, and the corresponding rise in the price of wool in England, gave the direct impulse to these evictions. The old nobility had been devoured by the great feudal wars. The new nobility was the child of its time, for which money was the power of all powers. Transformation of arable land into sheep-walks was, therefore, its cry. Harrison, in his “Description of England, prefixed to Holinshed’s Chronicles,” describes how the expropriation of small peasants is ruining the country. “What care our great encroachers?” The dwellings of the peasants and the cottages of the labourers were razed to the ground or doomed to decay. “If,” says Harrison, “the old records of euerie manour be sought... it will soon appear that in some manour seventeene, eighteene, or twentie houses are shrunk... that England was neuer less furnished with people than at the present... Of cities and townes utterly decaied or more than a quarter or half diminished, though some one be a little increased here or there; of townes pulled downe for sheepe-walks, and no more but the lordships now standing in them... I could saie somewhat.” The complaints of these old chroniclers are always exaggerated, but they reflect faithfully the impression made on contemporaries by the revolution in the conditions of production. A comparison of the writings of Chancellor Fortescue and Thomas More reveals the gulf between the 15th and 16th century. As Thornton rightly has it, the English working-class was precipitated without any transition from its golden into its iron age.

Legislation was terrified at this revolution. It did not yet stand on that height of civilization where the “wealth of the nation”
Expropriation of the Agricultural Population from the Land

(i.e., the formation of capital, and the reckless exploitation and impoverishing of the mass of the people) figure as the *ultima Thule* of all state-craft. In his history of Henry VII., Bacon says: "Inclosures at that time (1489) began to be more frequent, whereby arable land (which could not be manured without people and families) was turned into pasture, which was easily rid by a few herdsmen; and tenancies for years, lives, and at will (whereupon much of the yeomanry lived) were turned into demesnes. This bred a decay of people, and (by consequence) a decay of towns, churches, tithes, and the like.... In remedying of this inconvenience the king's wisdom was admirable and the parliament's at that time.... they took a course to take away depopulating inclosures, and depopulating pasturage." An Act of Henry VII., 1489, cap. 19, forbad the destruction of all "houses of husbandry" to which at least 20 acres of land belonged. By an Act, 25 Henry VIII., the same law was renewed. It recites, among other things, that many farms and large flocks of cattle, especially of sheep, are concentrated in the hands of a few men, whereby the rent of land has much risen and tillage has fallen off, churches and houses have been pulled down, and marvellous numbers of people have been deprived of the means wherewith to maintain themselves and their families. The Act, therefore, ordains the rebuilding of the decayed farmsteads, and fixes a proportion between corn land and pasture land, &c. An Act of 1533 recites that some owners posses 24,000 sheep, and limits the number to be owned to 2,000. The cry of the people and the legislation directed, for 150 years after Henry VII., against the expropriation of the small farmers and peasants, were alike fruitless. The secret of their inefficiency Bacon, without knowing

* In his "Utopia," Thomas More says, that in England "your shepe that were wont to be so meke and tame, and so smal eaters, now, as I heare saye, be become so great devourers and so wylde that they eate up, and swallow down the very men themselfes." "Utopia" transl. by Robinson, ed. Arber, Lond., 1869, p. 41.
it, reveals to us. "The device of King Henry VII.," says Bacon, in his "Essays, Civil and Moral," Essay 29, "was profound and admirable, in the making farms and houses of husbandry of a standard; that is, maintained with such a proportion of land unto them as may breed a subject to live in convenient plenty, and no servile condition, and to keep the plough in the hands of the owners and not mere hirelings." What the capitalist system demanded was, on the other hand, a degraded and almost servile condition of the mass of the people, the transformation of them into mercenaries, and of their means of labour into capital. During this transformation period, legislation also strove to retain the 4 acres of land by the cottage of the agricultural wage-labourer, and forbade him to take lodgers into his cottage. In this reign of James I., 1627, Roger Crocker of Front Mill, was condemned for having built a cottage on the manor of Front Mill without 4 acres of land attached to the same in perpetuity. As late as Charles I.'s reign, 1638, a royal commission was appointed to enforce the

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5 Bacon shows the connexion between a free, well-to-do peasantry and good infantry. "This did wonderfully concern that might and mannerhood of the kingdom to have farms as it were of a standard sufficient to maintain an able body out of penury, and did in effect amortise a great part of the lands of the kingdom unto the hold and occupation of the yeomanry or middle people, of a condition between gentlemen, and cottagers and peasants... For it hath been held by the general opinion of men of best judgement in the wars... that the principal strength of an army consisteth in the infantry or foot. And to make good infantry it requireth men bred, not in a servile or indigent fashion, but in some free and plentiful manner. Therefore, if a state run most to noblemen and gentlemen, and that the husbandmen and ploughmen be but as their workfolk and labourers, or else mere cottagers (which are but hous'd beggars), you may have a good cavalry, but never good stable bands of foot... And this is to be seen in France, and Italy, and some other parts abroad, where in effect all is noblesse or peasantry... insomuch that they are inforced to employ mercenary bands of Swizzers and the like, for their battalions of foot; whereby also it comes to pass that those nations have much people and few soldiers." ("The Reign of Henry VII." Verbatim reprint from Kennet's England. Ed. 1719. Lond., 1870, p. 308.)
carrying out of the old laws, especially that referring to the 4 acres
of land. Even in Cromwell's time, the building of a house within 4
miles of London was forbidden unless it was endowed with 4 acres
of land. As late as the first half of the 18th century complaint is
made if the cottage of the agricultural labourer has not an adjunct
of one or two acres of land. Nowadays he is lucky if it is furnished
with a little garden, or if he may rent, far away from his cottage, a
few roods. "Landlords and farmers," says Dr Hunter, "work here
hand in hand. A few acres to the cottage would make the labourers
too independent."

The process of forcible expropriation of the people received in
the 16th century a new and frightful impulse from the
Reformation, and from the consequent colossal spoliation of the
church property. The Catholic church was, at the time of the
Reformation, feudal proprietor of a great part of the English land.
The suppression of the monasteries, &c., hurled their inmates into
the proletariat. The estates of the church were to a large extent
given away to rapacious royal favourites, or sold at a nominal
price to speculating farmers and citizens, who drove out, en masse,
the hereditary sub-tenants and threw their holdings into one. The
legally guaranteed property of the poorer folk in a part of the
church's tithes was tacitly confiscated. "Pauper ubique jacet,"
cried Queen Elizabeth, after a journey through England. In the
43rd year of her reign the nation was obliged to recognise
pauperism officially by the introduction of a poor-rate. "The
authors of this law seem to have been ashamed to state the grounds
of it, for [contrary to traditional usage] it has no preamble

6 Dr. Hunter, I.e., p. 134. "The quantity of land assigned (in the old laws) would
now be judged too great for labourers, and rather as likely to convert them
into small farmers." (George Roberts: "The Social History of the People of the
Southern Counties of England in the Past Centuries." Lond., 1856, pp. 184–
185.)

7 "The right of the poor to share in the tithe, is established by the tenour of
By the 16th of Charles I., ch. 4, it was declared perpetual, and in fact only in 1834 did it take a new and harsher form. These immediate results of the Reformation were not its most lasting ones. The property of the church formed the religious


9 The "spirit" of Protestantism may be seen in the following, among other things. In the south of England certain landowners and well-to-do farmers put their heads together and propounded ten questions as to the right interpretation of the poor-law of Elizabeth. These they laid before a celebrated jurist of that time, Sergent Snigge (later a judge under James I.) for his opinion.

"Question 9—Some of the more wealthy farmers in the parish have devised a skilful mode by which all the trouble of executing this Act (the 43rd of Elizabeth) might be avoided. They have proposed that we shall erect a prison in the parish, and then given notice to the neighbourhood, that if any persons are disposed to farm the poor of this parish, they do give in sealed proposals, on a certain day, of the lowest price at which they will take them off our hands; and that they will be authorized to refuse to any one unless he be shut up in the aforesaid prison. The proposers of this plan conceive that there will be found in the adjoining counties, persons, who, being unwilling to labour and not possessing substance or credit to take a farm or ship, so as to live without labour, may be induced to make a very advantageous offer to the parish. If any of the poor perish under the contractor's care, the sin will lie at his door, as the parish will have done its duty by them. We are, however, apprehensive that the present Act (43rd of Elizabeth) will not warrant a prudent measure of this kind; but you are to learn that the rest of the freeholders of the county, and of the adjoining county of B, will very readily join in instructing their members to propose an Act to enable the parish to contract with a person to lock up and work the poor; and to declare that if any person shall refuse to be so locked up and worked, he shall be entitled to no relief, and be the means of keeping down parishes." (R. Blakey: "The History of Political Literature from the Earliest Times," Lond., 1855, Vol. II., pp. 84-85.) In Scotland, the abolition of servitude took place some centuries later than in England. Even in 1698, Fletcher of Saltoun, declared in the Scotch parliament, "The number of beggars in Scotland is reckoned at not less than 200,000. The only remedy that I, a republican on principle, can suggest, is to restore the old state of servitude, to make slaves of all those who are unable to provide for their own subsistence." Eden, i.e., Book 1, ch. 1, pp. 60-61, says, "The decrease of villenages seems necessarily to have been the era of the origin of the poor. Manufactures and commerce are the two parents of our national poor." Eden, like our Scotch republican on principle, errs only in this: not the
bulwark of the traditional conditions of landed property. With its fall these were no longer tenable.\textsuperscript{10}

Even in the last decade of the 17th century, the yeomanry, the class of independent peasants, were more numerous than the class of farmers. They had formed the backbone of Cromwell’s strength, and, even according to the confession of Macaulay, stood in favourable contrast to the drunken squires and to their servants, the country clergy, who had to marry their masters’ cast-off mistresses. About 1750, the yeomanry had disappeared,\textsuperscript{11} and so had, in the last decade of the 18th century, the last trace of the common land of the agricultural labourer. We leave on one side here the purely economic causes of the agricultural revolution. We deal only with the forcible means employed.

After the restoration of the Stuarts, the landed proprietors carried, by legal means, an act of usurpation, effected everywhere on the Continent without any legal formality. They abolished the feudal tenure of land, \textit{i.e.}, they got rid of all its obligations to the

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\textsuperscript{10} Professor Rogers, although formerly Professor of Political Economy in the University of Oxford, the hotbed of Protestant orthodoxy, in his preface to the "History of Agriculture" lays stress on the fact of the pauperization of the mass of people by the Reformation.

\textsuperscript{11} "A Letter to Sir T. C. Bunbury, Bart., on the High Price of Provisions. By a Suffolk Gentleman." Ipswich, 1795, p. 4. Even the fanatical advocate of the system of large farms, the author the "Inquiry into the Connexion between the Present Price of Provisions." London, 1773, p. 139, says: "I most lament the loss of our yeomanry, that set of men who really kept up the independence of this nation; and sorry I am to see their lands now in the hands of monopolizing lords, tenanted out to small farmers, who hold their leases on such conditions as to be little better than vassals ready to attend a summons on every mischievous occasion."
State, "indemnified" the State by taxes on the peasantry and the rest of the mass of the people, vindicated for themselves the rights of modern private property in estates to which they had only a feudal title, and, finally, passed those laws of settlement, which, *mutatis mutandis*, had the same effect on the English agricultural labourer, as the edict of the Tarter Boris Godunof on the Russian peasantry.

The "glorious Revolution" brought into power, along with William of Orange, the landlord and capitalist appropriators of surplus-value. They inaugurated the new era by practicing on a colossal scale thefts of state lands, thefts that had been hitherto managed more modestly. These estates were given away, sold at a ridiculous figure, or even annexed to private estates by direct seizure. All this happened without the slightest observation of legal etiquette. The Crown lands thus fraudulently appropriated, together with the robbery of the Church estates, as far as these had not been lost again during the republican revolution, form the basis of the to-day princely domains of the English oligarchy.

The bourgeois capitalists favoured the operation with the view,

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12 On the private moral character of this bourgeois hero, among other things: "The large grant of lands in Ireland to Lady Orkney, in 1695, is a public instance of the king's affection, and the lady's influence. . . . Lady Orkney's endearing offices are supposed to have been—foeda laborum ministeria." (In the Sloane Manuscript Collection, at the British Museum, No. 4224. The Manuscript is entitled: "The character and behaviour of King William, Sunderland, etc., as represented in Original Letters to the Duke of Shrewsbury from Somers Halifax, Oxford, Secretary Vernon, etc." It is full of curiosa.


14 Read, e.g., E. Burke's Pamphlet on the ducal house of Bedford, whose offshoot was Lord John Russell, the "tomtit of Liberalism."
among others, to promoting free trade in land, to extending the
domain of modern agriculture on the large farm-system, and to
increasing their supply of the free agricultural proletarians ready
to hand. Besides, the new landed aristocracy was the natural ally
of the new bankocracy, of the newly-hatched haute finance, and of
the large manufacturers, then depending on protective duties. The
English bourgeoisie acted for its own interest quite as wisely as did
the Swedish bourgeoisie who, reversing the process, hand in hand
with their economic allies, the peasantry, helped the kings in the
forcible resumption of the Crown lands from the oligarchy. This
happened since 1604 under Charles X. and Charles XI.

Communal property—always distinct from the State property
just dealt with—was an old Teutonic institution which lived on
under cover of feudalism. We have seen how the forcible usurpation
of this, generally accompanied by the turning of the arable into
pasture land, begins at the end of the 15th and extends into the
16th century. But, at that time, the process was carried on by
means of individual acts of violence against which legislation, for
a hundred and fifty years, fought in vain. The advance made by
the 18th century shows itself in this, that the law itself becomes
now the instrument of the theft of the people's land, although the
large farmers make use of their little independent methods as well.\footnote{15}
The parliamentary form of the robbery is that of Acts for enclosures
of Commons, in other words, decrees by which the landlords grant
themselves the people's land as private property, decrees of
expropriation of the people. Sir F.M. Eden refutes his own crafty

\footnote{15} "The farmers forbid cottagers to keep any living creatures besides themselves
and children, under the pretence that if they keep any beasts or poultry, they
will steal from the farmers' barns for their support; they also say, keep the
cottagers poor and you will keep them industrious, &c., but the real fact, I
believe, is that the farmers may have the whole right of common to themselves."
("A Political Inquiry into the Consequences of Enclosing Waste Lands." London, 1785, p. 75.)
special pleading, in which he tries to represent communal property as the private property of the great landlords who have taken the place of the feudal lords, when he, himself, demands a “general Act of Parliament for the enclosure of Commons” (admitting thereby that a parliamentary coup d’etat is necessary for its transformation into private property), and moreover calls on the legislature for the indemnification for the expropriated poor.\(^\text{16}\)

Whilst the place of the independent yeoman was taken by tenants at will, small farmers on yearly leases, a servile rabble dependent on the pleasure of the landlords, the systematic robbery of the Communal lands helped especially, next to the theft of the State domains, to swell those large farms, that were called in the 18th century capital farms\(^\text{17}\) or merchant farms,\(^\text{18}\) and to “set free” the agricultural population as proletarians for manufacturing industry.

The 18th century, however, did not yet recognize as fully as the 19th, the identity between the national wealth and the poverty of the people. Hence the most vigorous polemic, in the economic literature of that time, on the “enclosure of commons.” From the mass of materials that lie before me, I give a few extracts that will throw a strong light on the circumstances of the time. “In several parishes of Hertfordshire,” writes one indignant person, “24 farms, numbering on the average 50-150 acres, have been melted up into three farms.”\(^\text{19}\) “In Northamptonshire and Leicestershire the enclosure of common lands have taken place on a very large scale, and most of the new lordships, resulting from the enclosure, have been turned into pasturage, in consequence of which many

\(^{16}\) Eden, I.c., preface.
\(^{18}\) “Merchant Farms.” “An Enquiry into the Causes of the Present High Price of Provisions.” London, 1767, p. 11. Note.—This excellent work, that was published anonymously, is by the Rev. Nathaniel Forster.
\(^{19}\) Thomas Wright: “A Short Address to the Public on the Monopoly of Large Farms,” 1799, pp. 2, 3.
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Lordships have not now 50 acres ploughed yearly, in which 1,500 were ploughed formerly. The ruins of former dwelling-houses, barns, stables, &c., are the sole traces of the former inhabitants. "An hundred houses and families have in some open field villages . . . dwindled to eight or ten . . . The landholders in most parishes that have been enclosed only 15 or 20 years, are very few in comparison of the numbers who occupied them in their open-field state. It is no uncommon thing for 4 or 5 wealthy graziers to engross a large enclosed lordship which was before in the hands of 20 or 30 farmers, and as many smaller tenants and proprietors. All these are hereby thrown out of their livings with their families and many other families who were chiefly employed and supported by them."²⁰ It was not only the land that lay waste, but often land cultivated either in common or held under a definite rent paid to the community, that was annexed by the neighbouring landlords under pretext of enclosure. "I have here in view enclosures of open fields and lands already improved. It is acknowledged by even the writers in defence of enclosures that these diminished villages increase the monopolies of farms, raise the prices of provisions, and produce depopulation . . . and even the enclosure of waste lands (as now carried on) bears hard on the poor, by depriving them of a part of their subsistence, and only goes towards increasing farms already too large."²¹ "When," says Dr Price, "this land gets into the hands of a few great farmers, the consequence must be that the little farmers" (earlier designated by him "a multitude of little proprietors and tenants, who maintain themselves and families by the produce of the grounds

²⁰ Rev Addington: "Inquiry into the Reasons for or against Enclosing Open Fields." London, 1772, pp. 37, 43 passim.
they occupy by sheep kept on a common, by poultry, hogs, &c., and who therefore have little occasion to purchase any of the means of subsistence") "will be converted into a body of men who earn their subsistence by working for others, and who will be under a necessity of going to market for all they want . . . There will, perhaps, be more labour, because there will be more compulsion to it . . . Towns and manufactures will increase, because more will be driven to them in quest of places and employment. This is the way in which the engrossing of farms naturally operates. And this is the way in which, for many years, it has been actually operating in this kingdom."  

He sums up the effect of the enclosures thus: "Upon the whole, the circumstances of the lower ranks of men are altered in almost every respect for the worse. From little occupiers of land, they are reduced to the state of day-labourers and hirelings; and, at the same time, their subsistence in that state has become more difficult." In fact, usurpation of the common lands and the revolution in agriculture accompanying this, told so acutely on the agricultural labourers that, even according to Eden, between 1765 and 1780, their wages began to fall below the minimum, and 

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22 Price, I.e., p. 147.  
23 Price, I.e., p. 159. We are reminded of ancient Rome. "The rich had got possession of the greater part of the undivided land. They trusted in the conditions of the time, that these possessions would not be again taken from them, and bought, therefore, some of the pieces of land lying near theirs, and belonging to the poor, with the acquiescence of their owners, and took some by force, so that they now were cultivating widely extended domains, instead of isolated fields. Then they employed slaves in agriculture and cattle-breeding, because freemen would have been taken from labour for military service. The possession of slaves brought them great pain, inasmuch as these, on account of their immunity from military service, could freely multiply and have a multitude of children. Thus the powerful men draw all wealth to themselves, and all the land swarmed with slaves. The Italians, on the other hand, were always decreasing in number, destroyed as they were by poverty, taxes, and military service. Even when times of peace came, they were doomed to complete inactivity, because the rich were in possession of the soil, and used slaves instead of freemen in the tilling of it." (Appian: "Civil Wars," I. 7.) This
to be supplemented by official poor-law relief. Their wages, he says, "were not more than enough for the absolute necessaries of life."

Let us hear for a moment a defender of enclosures and an opponent of Dr. Price. "Nor is it a consequence that there must be depopulation, because men are not seen wasting their labour in the open field . . . . If, by converting the little farmers into a body of men who must work for others, more labour is produced, it is an advantage which the nation" (to which, of course, the "converted" ones do not belong) "should wish for . . . . the produce being greater when their joint labours are employed on one farm, there will be a surplus for manufactures, and by this means manufactures, one of the mines of the nation, will increase, in proportion to the quantity of corn produced."

The stoical peace of mind with which the political economist regards the most shameless violation of the "sacred rights of property" and the grossest acts of violence to persons, as soon as they are necessary to lay the foundations of the capitalistic mode of production, is shown by Sir F.M. Eden, philanthropist and tory, to boot. The whole series of thefts, outrages, and popular misery, that accompanied the forcible expropriation of the people from the last third of the 15th to the end of the 18th century, lead him merely to the comfortable conclusion: "The due proportion between arable land and pasture had to be established. During the whole of the 14th and the greater part of the 15th century,

passage refers to the time before the Licinian rogations. Military service, which hastened to so great an extent the ruin of the Roman plebeians, was also the chief means by which, as in a forcing-house, Charlemagne brought about the transformation of free German peasants into serfs and bondsmen.

24 "An Inquiry into the Connexion between the Present Price of Provisions, &c.," pp. 124, 129. To the like effect, but with an opposite tendency: "Working-men are driven from their cottages and forced into the towns to seek employment; but then a larger surplus is obtained, and thus capital is augmented." ("The Perils of the Nation," 2nd ed., London, 1843, p. 14.)
there was one acre of pasture to 2, 3, and even 4 of arable land. About the middle of the 16th century the proportion was changed of 2 acres of pasture to 2, later on, of 2 acres of pasture to one of arable, until at last the just proportion of 3 acres of pasture to one of arable land was attained."

In the 19th century, the very memory of the connexion between the agricultural labourer and the communal property had, of course, vanished. To say nothing of more recent times, have the agricultural population received a farthing of compensation for the 3,511,770 acres of common land which between 1801 and 1831 were stolen from them and by parliamentary devices presented to the landlords by the landlords?

The last process of wholesale expropriation of the agricultural population from the soil is, finally, the so-called clearing of estates, i.e., the sweeping men off them. All the English methods hitherto considered culminated in "clearing." As we saw in the picture of modern conditions given in a former chapter, where there are no more independent peasants to get rid of, the "clearing" of cottages begins; so that the agricultural labourers do not find on the soil cultivated by them even the spot necessary for their housing. But what "clearing of estates" really and properly signifies, we learn only in the promised land of modern romance, the Highlands of Scotland. There the process in distinguished by its systematic character, by the magnitude of the scale on which it is carried out at one blow (in Ireland landlords have gone to the length of sweeping away several villages at once; in Scotland areas as large as German principalities are dealt with), finally by the peculiar form of property, under which the embezzled lands were held.

The Highland Celts were organized in clans, each of which was the owner of the land on which it was settled. The representative of the clan, its chief or "great man," was only the titular owner of this property, just as the Queen of England is the titular owner of all the national soil. When the English government
succeeded in suppressing the intestine wars of these “great men,” and their constant incursions into the Lowland plains, the chiefs of the clans by no means gave up their time-honoured trade as robbers; they only changed its form. On their own authority they transformed their nominal right into a right of private property, and as this brought them into collision with their clansmen, resolved to drive them out by open force. “A king of England might as well claim to drive his subjects into the sea,” says Professor Newman. This revolution, which began in Scotland after the last rising of the followers of the Pretender, can be followed through its first phases in the writings of Sir James Steuart and James Anderson. In the 18th century the hunted-out Gaels were forbidden to emigrate from the country, with a view to driving them by force to Glasgow and other manufacturing towns. As an example of the method obtaining in the 19th century, the “clearing” made by the Duchess of Sutherland will suffice here. This person, well instructed in economy, resolved, on entering upon her government, to effect a radical cure, and to turn the

25 i.e., p. 132.
26 Steuart says: “If you compare the rent of these lands” (he erroneously includes in this economic category the tribute to the taskmen to the clan-chief) “with the extent, it appears very small. If you compare it with the numbers fed upon the farm, you will find that the estate in the Highlands maintains, perhaps, ten times as many people as another of the same value in a good and fertile province.” (I.c., vol. I, ch. xvi., p. 104.)
28 In 1860 the people expropriated by force were exported to Canada under false pretences. Some fled to the mountains and neighbouring islands. They were followed by the police, came to blows with them and escaped.
29 "In the Highlands of Scotland," says Buchanan, the commentator on Adam Smith, 1814, "the ancient state of property is daily subverted…. The landlord, without regard to the hereditary tenant (a category used in error here), now offers his land to the highest bidder, who, if he is an improver, instantly adopts a new system of improved cultivation and increased rents, the largest possible produce is obtained at the least possible expense: and the useless hands being,
whole country, whose population had already been, by earlier
processes of the like kind, reduced to 15,000, into a sheep-walk.
From 1814 to 1820 these 15,000 inhabitants, about 3,000 families,
were systematically hunted and rooted out. All their villages were
destroyed and burnt, all their fields turned into pastureage. British
soldiers enforced this eviction, and came to blows with the
inhabitants. One old woman was burnt to death in the flames of
the hut, which she refused to leave. Thus this fine lady
appropriated 794,000 acres of land that had from time
immemorial belonged to the clan. She assigned to the expelled
inhabitants about 6,000 acres on the sea-shore—2 acres per family.
The 6,000 acres had until this time lain waste, and brought in no
income to their owners. The Duchess, in the nobility of her heart,
effectively went so far as to let these at an average rent of 2s. 6d. per
acre to the clansmen, who for centuries had shed their blood for
her family. The whole of the stolen clanland she divided into 29
great sheep farms, each inhabited by a single family, for the most
part imported English farm-servants. In the year 1835 the 15,000
Gaels were already replaced by 131,000 sheep. The remnant of the
aborigines flung on the sea-shore, tried to live by catching fish.
They became amphibious and lived, as an English author says,

with this view, removed, the population is reduced, not to what the land will
maintain, but to what it will employ. "The dispossessed tenants either seek a
subsistence in the neighbouring towns," &c. (David Buchanan: "Observations
"The Scotch grandees dispossessed families as they would grub up coppice-
wood, and they treated villages and their people as Indians harassed with wild
beasts do, in their vengeance, a jungle with tigers. . . . Man is bartered for a
fleece or a carcass of mutton, nay, held cheaper... Why, how much worse is
it than the intention of the Moguls, who, when they had broken into the
northern provinces of China, proposed in council to exterminate the
inhabitants, and convert the land into pasture. This proposal many Highland
proprietors have effected in their own country against their own countrymen."
(George Ensor: "An Inquiry Concerning the Population of Nations." Lond.,
1818, pp. 215, 216.)
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But the brave Gaels must expiate yet more bitterly their idolatry, romantic and of the mountains, for the "great men" of the clan. The smell of their fish rose to the noses of the great men. They scented some profit in it, and let the sea-shore to the great fishmongers of London. For the second time the Gaels were hunted out. But, finally, part of the sheep-walks are turned into deer preserves. Every one knows that there are no real forests in England. The deer in the parks of the great are demurely domestic cattle, fat as London alderman. Scotland is therefore the last refuge of the "noble passion." "In the Highlands," says Somers in 1848, "new forests are springing up like mushroom. Here, on one side of Gaick, you have the new forest of Glenfeshie; and there on the other you have the new forest of Ardverikie. In the same line you have the Black Mount, an immense waste also recently erected. From east to west—from the neighbourhood of Aberdeen to the crags of Oban—you have now a continuous line of forests; while in other parts of the Highlands there are the new forests of Loch Archaig, Glengarry, Glenmoriston, &c. Sheep were introduced into glens which had been the seats of the communities of small farmers; and the latter were driven to seek subsistence on coarser and more

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30 When the present Duchess of Sutherland entertained Mrs. Beecher Stowe, authoress of "Uncle Tom's Cabin," with great magnificence in London to show her sympathy for the negro slaves of the American republic—a sympathy she prudently forgot, with her fellow-aristocrats, during the civil war, in which every "noble" English heart beat for the slave-owner—I gave in the New York Tribune the facts about the Sutherland slaves. (Epitomized in part by Carey in "The Slave Trade." Philadelphia, 1853, pp. 203, 204.) My article was reprinted in a Scotch newspaper, and led to a pretty polemic between the latter and the sycophants of the Sutherlands.

31 Interesting details on this fish trade will be found in Mr. David Urquhart's Portfolio, new series.—Nassau W. Senior, in his posthumous work, already quoted, terms "the proceedings in Sutherlandshire one of the most beneficent clearings since the memory of man." (l.c.)
sterile tracks of soil. Now deer are supplanting sheep; and these are once more dispossessing the small tenants, who will necessarily be driven down upon still coarser land and to more grinding penury. Deer-forests\textsuperscript{32} and the people cannot co-exist. One or other of the two must yield. Let the forests be increased in number and extent during the next quarter of a century, as they have been in the last, and the Gaels will perish from their native soil . . . This movement among the Highlands proprietors is with some a matter of ambition . . . with some love of sport . . . while others, of a more practical cast, follow the trade in deer with an eye solely on profit. For it is a fact, that a mountain range laid out in forest is, in many cases, more profitable to the proprietor than when let as a sheep-walk. . . . The huntsman who wants a deer-forest limits his offers by no other calculation than the extent of his purse . . . Sufferings have been inflicted in the Highlands scarcely less severe than those occasioned by the policy of the Norman kings. Deer have received extended ranges, while men have been hunted within a narrower and still narrower circle . . . One after one the liberties of the people have been cloven down . . . And the oppressions are daily on the increase . . . The clearance and dispersion of the people is pursued by the proprietors as a settled principle, as an agricultural necessity, just as trees and brushwood are cleared from the wastes of America or Australia; and the operation goes on in a quiet, business-like way, &c.”\textsuperscript{33}

\textsuperscript{32} The deer-forests of Scotland contain not a single tree. The sheep are driven from, and then the deer driven to, the naked hills, and then it is called a deer-forest. Not even timber-planting and real forest culture.

\textsuperscript{33} Robert Somers: “Letters from the Highlands: or the Famine of 1847.” London, 1848, pp. 12–28 passim. These letters originally appeared in The Times. The English economists of course explained the famine of the Gaels in 1847, by their over-population. At all events, they “were pressing on their food-supply.” The “clearing of estates,” or as it is called in Germany, “Bauernlegen,” occurred in Germany especially after the 30 years’ war, and led to peasant-revolts as late as 1790 in Kursachsen. It obtained especially in East Germany. In most of the
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The spoliation of the church's property, the fraudulent alienation of the State domains, the robbery of the common lands, the usurpation of feudal and clan property, and its transformation into modern private property under circumstances of reckless Prussian provinces, Frederick II for the first time secured right of property for the peasants. After the conquest of Silesia he forced the landlords to rebuild the huts, barns, etc., and to provide the peasants with cattle and implements. He wanted soldiers for his army and tax-payers for his treasury. For the rest, the pleasant life that the peasant led under Frederick's system of finance and hodge-podge rule of despotism, bureaucracy and feudalism, may be seen from the following quotation from his admirer, Mirabeau: "Le lin fait donc une grandes richesses du cultivateur dans le Nord de l'Allemagne. Malheureusement pour l'espece humaine, ce n'est qu'une resource contre la misere et non un moyen de bien-etre. Les impots directs, les corvees, les servitudes de tout genre, ecrasent le cultivateur allemand, qui paie encore des impots indirects dans tout ce qu'il achete... et pour comble de ruine, il n'ose pas vendre ses productions ou et comme il le veut; il n'ose pas acheter ce dont il a besoin aux marchands qui pourraient le lui livrer au meilleur prix. Toutes ces causes le ruinent insensiblement, et il se trouverait hors d'état de payer les impots directs a l'échéance sans la filerie; elle lui offre une ressource, en occupant utilement sa femme, ses enfants, ses servants, ses valets, et lui-meme; mais quelle penible vie, meme aidee de se couche a 9 heures et se leve a deux, pour suffire aux travaux; en hiver il devrait reparer ses forces par un plus grand repos; mais il manquera de grains pour le pain et les semaines, s'il se defait des denrees qu'il faudrait vendre pour payer les impots. Il faut donc filer pour suppléer a ce vide... il faut y apporter la plus grande assiduite. Aussi le paysan se couche-t-il en hiver a minuit, une heure, et se leve a cinq au six; ou bien il se couche a neuf, et se leve a deux, et cela tous les jours de la vie si ce n'est le dimanche. Ces excès de vieillissent beaucoup plusot dans campagnes que dans les villes." (Mirabeau, L.c., t.III, pp. 212 sqq.)

Note to the second edition. In April 1866, 18 years after the publication of the work of Robert Somers quoted above, Professor Leone Levi gave a lecture before the Society of Arts on the transformation of sheep-walks into deer-forest, in which he depicts the advantage in the devastation of the Scottish Highlands. He says, with other things: "Depopulation and transformation without expenditure... A deer-forest in place of a sheep-walk was a common change in the Highlands. The landowners turned out to the sheep as they once turned out the men from their estates, and welcomed the new tenants—the wild beasts and the feathered birds... One can walk from the Earl of
terrorism, were just so many idyllic methods of primitive accumulation. They conquered the field for capitalistic agriculture, made the soil part and parcel of capital, and created for the town industries the necessary supply of a “free” and outlawed proletariat.


Dalhousie’s estates in Forfarshire to John o’Groates, without ever leaving forest land . . . . In many of these woods the fox, the wild cat, the marten, the polecat, the weasel and the Alpine hare are common; whilst the rabbit, the squirrel and the rat have lately made their way into the country. Immense tracts of land, much of which is described in the statistical account of Scotland as having a pasturage in richness and extent of very superior description, are thus shut out from all cultivation and improvement, and are solely devoted to the sport of a few persons for a very brief period of the year.” The London *Economist* of June 2, 1866, says, “Amongst the items of news in a Scotch paper of last week, we read . . . ‘One of the finest sheep farms in Sutherlandshire, for which a rent of £1,200 a year was recently offered, on the expiry of the existing lease this year, is to be converted into a deer-forest.’ Here we see the modern instincts of feudalism . . . operating pretty much as they did when the Norman Conqueror . . . destroyed 36 villages to create the New Forest . . . . Two millions of acres . . . totally laid waste, embracing within their area some of the most fertile land of Scotland. The natural grass of Glen Tilt was among the most nutritive in the country of Perth. The deer-forest of Ben Aulder was by far the best grazing ground in the wide district of Badenoch; a part of the Black Mount forest was the best pasture for black-faced sheep in Scotland. Some idea of the ground laid waste for purely sporting purposes in Scotland may be formed from the fact that it embraced an area larger than the whole country of Perth. The resources of the forest of Ben Aulder might give some idea of the loss sustained from the local desolations. The ground would pasture 15,000 sheep, and as it was not more than one-thirtieth part of the old forest ground in Scotland . . . it might, &c., . . . All that forest land is as totally unproductive . . . . It might thus as well have been submerged under the waters of the German Ocean . . . . Such extemporised wildernesses or deserts ought to be put down by the decided interference of the Legislature.”
Bloody Legislation Against the Expropriated, From the End of the 15th Century. Forcing Down of Wages by Acts of Parliament

The proletariat created by the breaking up of the bands of feudal retainers and by the forcible expropriation of the people from the soil, this “free” proletariat could not possibly be absorbed by the nascent manufacturers as fast as it was thrown upon the world. On the other hand, these men, suddenly dragged from their wonted mode of life, could not as suddenly adapt themselves to the discipline of their new condition. They were turned en masse into beggars, robbers, vagabonds, partly from inclination, in most cases from stress of circumstances. Hence at the end of the 15th and during the whole of the 16th century, throughout Western Europe a bloody legislation against vagabondage. The fathers of the present working-class were chastised for their enforced transformation into vagabonds and paupers. Legislation treated them as “voluntary” criminals, and assumed that it depended on their own good will to go on working under the old conditions that no longer existed.

In England this legislation began under Henry VII.

Henry VIII. 1530: Beggars old and unable to work receive a beggar’s licence. On the other hand, whipping and imprisonment for sturdy vagabonds. They are to be tied to the cart-tail and whipped until the blood streams from their bodies, then to swear an oath to go back to their birthplace or to where they have lived the last three years and to “put themselves to labour.” What grim
irony! In 27 Henry VIII. The former statute is repeated, but strengthened with new clauses. For the second arrest for vagabondage the whipping is to be repeated and half the ear sliced off; but for the third relapse the offender is to be executed as a hardened criminal and enemy of the common weal.

Edward VI.: A statute of the first year of his reign, 1547, ordains that if anyone refuses to work, he shall be condemned as a slave to the person who has denounced him as an idler. The master shall feed his slave on bread and water, weak broth and such refuse meat as he thinks fit. He has the right to force him to do any work, no matter how disgusting, with whip and chains. If the slave is absent a fortnight, he is condemned to slavery for life and is to be branded on forehead or back with the letter S; if he runs away thrice, he is to be executed as a felon. The master can sell him, bequeath him, let him out on hire as a slave, just as any other personal chattel or cattle. If the slaves attempt anything against the masters, they are also to be executed. Justices of the peace, on information, are to hunt the rascals down. If it happens that a vagabond has been idling about for three days, he is to be taken to his birthplace, branded with a redhot iron with the letter V on the breast and be set to work, in chains, in the streets or at some other labour. If the vagabond gives a false birthplace, he is then to become the slave for his life of this place, of its inhabitants, or its corporation, and to be branded with an S. All persons have the right to take away the children of the vagabonds and to keep them as apprentices, the young men until the 24th year, the girls until the 20th. If they run away, they are to become up to this age slaves of their masters, who can put them in irons, whip them, &c., if they like. Every master may put an iron ring round the neck, arms or legs of his slave, by which to know him more easily and to be more certain of him.¹ The last part of this statute provides, that

¹ The author of the "Essay on Trade, etc.," 1770, says, "In the reign of Edward VI. indeed the English seem to have set, in good earnest, about encouraging
certain poor people may be employed by a place or by persons, who are willing to give them food and drink and to find them work. This kind of parish-slaves was kept up in England until far into the 19th century under the name of “roundsmen.”

Elizabeth, 1572: Unlicensed beggars above 14 years of age are to be severely flogged and branded on the left ear unless some one will take them into service for two years; in case of a repetition of the offence, if they are over 18, they are to be executed, unless some one will take them into service for two years; but for the third offence they are to be executed without mercy as felons. Similar statutes: 18 Elizabeth, c. 13, and another of 1597.2

manufactures and employing the poor. This we learn from a remarkable statute with runs thus: "That all vagrants shall be branded, &c." I.e., p. 5.

Thomas More says in his "Utopia": "Therfore that on covetous and unsatiable cormaraunte and very plage of his native countrey maye compasse aboute and inclose many thousand akers of grounde together within one pale or hedge, the husbandmen be thrust owte to their owne, or els either by coneyne and fraude, or by violent oppression they be put byesides it, or by wrongs and injuries thei be so soveried that they be compelled to sell all: by one meanes, therefore, or by other, either by hooke or crooke they muste needs departhe awaye, poore, selye, wretched soules, men, women, husbands, wiues, fatherlesse children, widowes, wofull mothers with their yonge babes, and their whole household smal in substance, and muche in number, as husbandrye requireth many handes. Awaye thei trudge, I say, owte of their kownen accustomed houses, fyndynge no place to reste in. All their housholde stuffe, which is very little woorth, thoughe it might well abide the sale: yet beeynge sodainely thruste owte, they be constrained to sell it for a thing of nought. And when they haue wandered abrode tyll that be spent, what can they then els doe but steale, and then justly pardy be hanged, or els go about beggyng. And yet then also they be caste in prison as vagaboundes, because they go aboute and worke not: whom no man wyl set a worke though thei neuer so willingly profre themselues therto." Of these poor fugitives of whom Thomas More says that they were forced to thieve, "7,200 great and petty thieves were put to death," in the reign of Henry VIII. (Holinshed, "Description of England," Vol. 1. p. 186.) In Elizabeth's time, "rouges were trussed up apace, and that there was not one year commonly wherein three or four hundred were not devoured and eaten up by the gallows." (Strype's Annals of the Reformation and
James I: Any one wandering about and begging is declared a rogue and a vagabond. Justices of the peace to petty sessions are authorised to have them publicly whipped and for the first offence to imprison them for 6 months, for the second for 2 years. Whilst in prison they are to be whipped as much and as often as the justices of the peace think fit. Incorrigible and dangerous rogues are to be branded with an R on the left shoulder and set to hard labour, and if they are caught begging again, to be executed without mercy. These statutes, legally binding until the beginning of the 18th century, were only repealed by 12 Anne, c. 23.

Similar laws in France, where by the middle of the 17th century a kingdom of vagabonds (truands) was established in Paris. Even at the beginning of Louis XVI.'s reign (Ordinance of July 13th, 1777) every man in good health from 16 to 60 years of age, if without means of subsistence and not practising a trade, is to be sent to the galleys. Of the same nature are the statute of Charles V. for the Netherlands (October, 1537), the first edict of the States and Towns of Holland (March 10, 1614), the “Plakaat” of the United Provinces (June 26, 1649), &c.

Thus were the agricultural people, first forcibly expropriated from the soil, driven from their homes, turned into vagabonds, and then whipped, branded, tortured by laws grotesquely terrible, into the discipline necessary for the wage system.

It is not enough that the conditions of labour are concentrated in a mass, in the shape of capital, at the one pole of society, while at

Establishment of Religion, and other Various Occurrences in the Church of England during Queen Elizabeth’s Happy Reign.” Second ed. 1725, Vol. 2.) According to this same Strype, in Somersetshire, in one year, 40 persons were executed, 35 robbers burnt in the hand, 37 whipped, and 183 discharged as “incorrigible vagabonds.” Nevertheless, he is of the opinion that this large number of prisoners does not comprise even a fifth of the actual criminals, thanks to the negligence of the justices and the foolish compassion of the people; and the other counties of England were not better off in this respect than Somersetshire, while some were even worse.
the other are grouped masses of men, who have nothing to sell but their labour-power. Neither is it enough that they are compelled to sell it voluntarily. The advance of capitalist production develops a working-class, which by education, tradition, habit, looks upon the conditions of that mode of production as self-evident laws of Nature. The organisation of the capitalist process of production, once fully developed, breaks down all resistance. The constant generation of a relative surplus-population keeps the law of supply and demand of labour, and therefore keeps wages, in a rut that corresponds with the wants of capital. The dull compulsion of economic relations completes the subjection of the labourer to the capitalist. Direct force, outside economic conditions, is of course still used, but only exceptionally. In the ordinary run of things, the labourer can be left to the “natural laws of production,” i.e., to his dependence on capital, a dependence springing from, and guaranteed in perpetuity by the conditions of production themselves. It is otherwise during the historic genesis of capitalist production. The bourgeoisie, at its rise, wants and uses the power of the state to “regulate” wages, i.e., to force them within the limits suitable for surplus-value making, to lengthen the working-day and to keep the labourer himself in the normal degree of dependence. This is an essential element of the so-called primitive accumulation.

The class of wage-labourers, which arose in the latter half of the 14th century formed then and in the following century only a very small part of the population, well protected in its position by the independent peasant proprietary in the country and the guild-organisation in the town. In country and town master and workmen stood close together socially. The subordination of labour to capital was only formal—i.e., the mode of production itself had as yet no specific capitalistic character. Variable capital preponderated greatly over constant. The demand for wage-labour grew, therefore, rapidly with every accumulation of capital,
whilst the supply of wage-labour followed but slowly. A large part of the national product, changed later into a fund of capitalist accumulation, then still entered into the consumption-fund of the labourer.

Legislation on wage-labour (from the first, aimed at the exploitation of the labourer and, as it advanced, always equally hostile to him),\(^3\) is started in England by the Statute of Labourers, of Edward III., 1349. The ordinance of 1350 in France, issued in the name of King John, corresponds with it. English and French legislation run parallel and are identical in purport. So far as the labour-statutes aim at compulsory extension of the working-day, I do not return to them, as this point was treated earlier (Chap. X., Section 5).

The Statute of Labourers was passed at the urgent instance of the House of Commons. A Tory says naively: “Formerly the poor demanded such high wages as to threaten industry and wealth. Next, their wages are so low as to threaten industry and wealth equally and perhaps more, but in another way.”\(^4\) A tariff of wages was fixed by law for town and country, for piece-work and day-work. The agricultural labourers were to hire themselves out by the year, the town ones “in open market.” It was forbidden, under pain of imprisonment, to pay higher wages than those fixed by the statute, but the taking of higher wages was more severely punished then the giving them. [So also in Sections 18 and 19 of the Statute of Apprentices of Elizabeth, ten days’ imprisonment is decreed for him that pays the higher wages, but twenty-one days for him that receives them.] A statute of 1360 increased the penalties and

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\(^3\) “Whenever the legislature attempts to regulate the differences between the masters and their workmen, its counsellors are always the masters,” says A. Smith. “L’esprit des lois, c’est propriété,” says Linguet.

\(^4\) “Sophisms of Free Trade.” By a Barrister. Lond., 1850, p. 206. He adds maliciously: “We were ready enough to interfere for the employer, can nothing now be done for the employed?”
authorised the masters to extort labour at the legal rate of wages by corporal punishment. All combinations, contracts, oaths, &c., by which masons and carpenters reciprocally bound themselves, were declared null and void. Coalition of the labourers is treated as a heinous crime from the 14th century to 1825, the year of the repeal of the laws against Trades' Unions. The spirit of the Statute of Labourers of 1349 and of its offshoots, comes out clearly in the fact, that indeed a maximum of wages is dictated by the State, but on no account a minimum.

In the 16th century, the condition of the labourers had, as we know, become much worse. The money wage rose, but not in proportion to the depreciation of money and the corresponding rise in the prices of commodities. Wages, therefore, in reality fell. Nevertheless; the laws for keeping them down remained in force, together with the ear-clipping and branding of those “whom no one was willing to take into service.” By the Statute of Apprentices 5 Elizabeth, c. 3, the justices of the peace were empowered to fix certain wages and to modify them according to the time of the year and the price of commodities. James I. extended these regulations of labour also to weavers, spinners, and all possible categories of workers. George II. extended the laws against

5 From a clause of Statute 2 of James I., c. 6, we see that certain clothmakers took upon themselves to dictate, in their capacity of justices of the peace, the official tariff of wages in their own shops. In Germany, especially after the Thirty Years’ War, statutes for keeping down wages were general. “The want of servants and labourers was very troublesome to the landed proprietors in the depopulated districts. All villagers were forbidden to let rooms to single men and women; all the latter were to be reported to the authorities and cast into prison if they were unwilling to become servants, even if they were employed at any other work, such as sowing seeds for the peasants at a daily wage, or even buying and selling corn. (Imperial privileges and sanctions for Silesia, I., 25.) For a whole century in the decrees of the small German potentates a bitter cry goes up again and again about the wicked and impertinent rabble that will not reconcile itself to its hard lot, will not be content with legal wage; the individual landed proprietors are forbidden to pay more than the State had
coalitions of labourers to manufacturers. In the manufacturing period *par excellence*, the capitalist mode of production had become sufficiently strong to render legal regulation of wages as impracticable as it was unnecessary; but the ruling classes were unwilling in case of necessity to be without the weapons of the old arsenal.

Still, 8 George II. forbade a higher day’s wage than 2s. 7½d. for journeymen tailor in and around London, except in cases of general mourning; still, 13 George III., c. 68, gave the regulation of the wages of silk-weavers to the justices of the peace; still, in 1706, it required two judgments of the higher courts to decide, whether the mandates of justices of the peace as to wages held good also for non-agricultural labourers; still, in 1799, an act of Parliament ordered that the wages of the Scotch miners should continue to be regulated by a statute of Elizabeth and two Scotch acts of 1661 and 1671. How completely in the meantime circumstances had changed, is proved by an occurrence unheard-of before in the English Lower House. In that place, where for more than 400 years laws had been made for the maximum, beyond which wages absolutely must not rise., Whitbread in 1796 proposed a legal minimum wage for agricultural labourers. Pitt opposed this, but confessed that the “condition of the poor was cruel.” Finally, in 1813, the laws for the regulation of wages were repealed. They were an absurd anomaly, since the capitalist regulated his factory by his private legislation, and could by the poor-rates make up the wage of the agricultural labourer to the indispensable minimum. The provisions of the labour statutes as to contracts between master and workman, as to giving notice fixed by a tariff. And yet the conditions of service were at times better after the war than 100 years later; the farm servants of Silesia had, in 1652, meat twice a week, whilst even in our century, districts are known where they have it only three times a year. Further, wages after the war were higher than in the following century.” (G. Freytag.)
Bloody Legislation Against the Expropriated

and the like, which only allow of a civil action against the contract-breaking master, but on the contrary permit a criminal action against the contract-breaking workman, are to this hour (1873) in full force. The barbarous laws against Trades' Union fell in 1825 before the threatening bearing of the proletariat. Despite this, they fell only in part. Certain beautiful fragments of the old statute vanished only in 1859. Finally, the act of Parliament of June 29, 1871, made a pretence of removing the last traces of this class of legislation by legal recognition of Trades' Unions. But an act of Parliament of the same date (an act to amend the criminal law relating to violence, threats, and molestation), re-established, in point of fact, the former state of things in a new shape. By this Parliamentary escamotage the means which the labourers could use in a strike or lock-out were withdrawn from the laws common to all citizens, and placed under exceptional penal legislation, the interpretation of which fell to the masters themselves in their capacity as justices of the peace. Two years earlier, the same House of Commons and the same Mr. Gladstone in the well-known straightforward fashion brought in a bill for the abolition of all exceptional penal legislation against the working-class. But this was never allowed to go beyond the second reading, and the matter was thus protracted until at last the "great Liberal party," by an alliance with the Tories, found courage to turn against the very proletariat that had carried it into power. Not content with this treachery, the "great Liberal party" allowed the English judges, ever complaisant in the service of the ruling classes, to dig up again the earlier laws against "conspiracy," and to apply them to coalitions of labourers. We see that only against its will and under the pressure of the masses did the English Parliament give up the laws against Strikes and Trades' Unions, after it had itself, for 500 years, held, with shameless egoism, the position of a permanent Trades' Union of the capitalists against the labourers.
During the very first storms of the revolution, the French bourgeoisie dared to take away from the workers the right of association but just acquired. By a decree of June 14, 1791, they declared all coalition of the workers as "an attempt against liberty and the declaration of the rights of man," punishable by a fine of 500 livres, together with deprivation of the rights of an active citizen for one year. This law which, by means of State compulsion, confined the struggle between capital and labour within limits comfortable for capital, has outlived revolutions and changes of dynasties. Even the Reign of Terror left it untouched. It was but quite recently struck out of the Penal Code. Nothing is more characteristic than the pretext for this bourgeois coup d'état. "Granting," says Chapelier, the reporter of the Select Committee on this law, "that wages ought to be a little higher than they are, . . . that they ought to be high enough for him that receives them, to be free from that state of absolute dependence due to the want of the necessaries of life, and which is almost that of slavery," yet the workers must not be allowed to come to any understanding about their own interests, nor to act in common and thereby lessen their "absolute dependence, which is almost that of slavery;" because, forsooth, in doing this they injure "the freedom of their cidevant masters, the present entrepreneurs," and because a

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* Article I. of this law runs: "L'aneantissement de toute espece de corporations du meme etat et profession etant l'une des bases fondamentales de la constitution francaise, il est defendu de les rebablir de fait sous quelque pretexte et sous quelque forme que ce soit." Article IV. declares, that if "des citoyens attaches aux memes professions, arts et metiers prenaient des deliberations, faisaient entre eux des conventions tendantes a refuser de concert ou a n'accorder qu'a un prix determine le secours de leur industrie ou de leurs travaux, les dites deliberations et conventions . . . serent declarees inconstitutionnelles, attentatoires a la liberté et a la declaration des droits de l'homme, &c.;" felony, therefore, as in old labour-statutes. ("Revolutions de Paris," Paris, 1791, t. III p. 523.)
coalition against the despotism of the quondam masters of the corporations is—guess what!—is a restoration of the corporations abolished by the French constitution.\(^7\)


\(^7\) Buchez et Roux: “Histoire Parlementaire,” t. x., p. 195.
KARL MARX

Genesis of the Capitalist Farmer

Now that we have considered the forcible creation of a class of outlawed proletarians, the bloody discipline that turned them into wage-labourers, the disgraceful action of the State which employed the police to accelerate the accumulation of capital by increasing the degree of exploitation of labour, the question remains: whence came the capitalists originally? For the expropriation of the agricultural population creates, directly, none but great landed proprietors. As far, however, as concerns the genesis of the farmer, we can, so to say, put our hand on it, because it is a slow process evolving through many centuries. The serfs, as well as the free small proprietors, held land under very different tenures, and were therefore emancipated under very different economic conditions. In England the first form of the farmer is the bailiff, himself a serf. His position is similar to that of the old Roman villicus, only in a more limited sphere of action. During the second half of the 14th century he is replaced by a farmer, whom the landlord provides with seed, cattle and implements. His condition is not very different from that of the peasant. Only he exploits more wage-labour. Soon he becomes a metayer, a half farmer. He advances one part of the agricultural stock, the landlord the other. The two divide the total product in proportions determined by contract. This form quickly disappears in England, to give place to the farmer proper, who makes his own capital breed by employing wage-labourers, and pays a part of the surplus-product, in money or in kind, to the landlord as rent. So long, during the 15th century, as the independent peasant and the farm-labourer working for himself as well as for wages, enriched themselves by their own labour, the circumstances of the farmer, and his field of production, were equally mediocre. The
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agricultural revolution which commenced in the last third of the 15th century, and continued during almost the whole of the 16th (excepting, however, its last decade), enriched him just as speedily as it impoverished the mass of the agricultural people.¹

The usurpation of the common lands allowed him to augment greatly his stock of cattle, almost without cost, whilst they yielded him a richer supply of manure for the tillage of the soil. To this, was added in the 16th century, a very important element. At that time the contracts for farms ran for a long time, often for 99 years. The progressive fall in the value of the precious metals, and therefore of money, brought the farmers golden fruit. Apart from all the other circumstances discussed above, it lowered wages. A portion of the latter was now added to the profits of the farm. The continuous rise in the price of the corn, wool, meat, in a word of all agricultural produce, swelled the money capital of the farmer without any action on his part, whilst the rent he paid (being calculated on the old value of money) diminished in reality.² Thus

¹ Harrison in his "Description of England," says "although peradventure foure pounds of old rent be improved to fortie, toward the end of his term, if he have not six or seven yeares rent lieng by him, fiftie or a hundred pounds, yet will the farmer thinke his gaines verie small."

² On the influence of the depreciation of money in the 16th century, on the different classes of society, see "A Compendious or Briefe Examination of Certayne Ordinary Complaints of Divers of our Countrymen in these our Days." By W.S., Gentleman. (London 1581.) The dialogue form of this work led people for a long time to ascribe it to Shakespeare, and even in 1751, it was published under his name. Its author is William Stafford. In one place the knight reasons as follows:

"Knight: You, my neighbour, the husbandman, you Maister Mercer, and you Goodman Cooper, with other artificers, may save yourselves metely well. For as much as all things are dearer than they were, so much do you arise in the pryece of your wares and occupations that ye sell agayne. But we have nothing to sell whereby we might advance ye price there of, to countervaile those things that we must buy agayne." In another place the knight asks the doctor: "I pray you, what be those sorts that ye meane. And first, of those that ye thinke should have no losse thereby?—Doctor: I mean all those that live by
they grew rich at the expense both of their labourers and their landlords. No wonder therefore, that England, at the end of the 16th century, had a class of capitalist farmers, rich, considering the circumstances of the time.³


³ In France, the regisseur, steward, collector of dues for the feudal lords during the earlier part of the middle ages, soon became an homme d'affaires, who by extortion, cheating, &c., swindled himself into a capitalist. These regisseurs themselves were sometimes noblemen. E.g. "C'est li compte que messire Jacques de Thoraine, chevalier chastelain sor Besançon rent ès-seigneur tenant les comptes a Dijon pour monseigneur le duc et comte de Bourgoigne, des rentes appurtenant a la dite chastellenie, depuis xxve jour de decembre MCCCLIX jusqu'au xxviiie jour de decembre MCCCLX." (Alexist Monteil: "Traite de Materiaux Manuscripts etc...", pp. 234, 235.) Already it is evident here how in all spheres of social life the lion's share falls to the middleman. In the economic domain, e.g., financiers, stock-exchange speculators, merchants, shopkeepers skim the cream; in civil matters, the lawyer fleeces his clients; in politics the representative is of more importance than the voters, the minister than the sovereign; in religion God is pushed into the background by the "Mediator," and the latter again is shoved back by the priests, the inevitable middlemen between the good shepherd and his sheep. In France, as in England, the great feudal territories were divided into innumerable small homesteads, but under conditions incomparably more unfavourable for the people. During the 14th century arose the farms or terriers. Their number grew constantly, far beyond 100,000. They paid rents varying from 1/12 to 1/5 of the product in money or in kind. These farms were fiefs, sub-fiefs, &c., according to the value and extent of the domains, many of them only containing a few acres. But
these farmers had rights of jurisdiction in some degree over the dwellers on the soil; there were four grades. The oppression of the agricultural population under all these petty tyrants will be understood. Monteil says that there were once in France 160,000 judges, where to-day, 4,000 tribunals, including justices of the peace, suffice.
KARL MARX

Reaction of the Agricultural Revolution on Industry.

Creation of the Home-Market for Industrial Capital

The expropriation and expulsion of the agricultural population, intermittent but renewed again and again, supplied, as we saw, the town industries with a mass of proletarians entirely unconnected with the corporate guilds and unfettered by them; a fortunate circumstance that makes old A. Anderson (not to be confounded with James Anderson) in his “History of Commerce,” believe in the direct intervention of Providence. We must still pause a moment on this element of primitive accumulation. The thinning-out of the independent, self-supporting peasants not only brought about the crowding together of the industrial proletariat, in the way that Geoffroy Saint Hilaire explained the condensation of cosmical matter at one place, by its rarefaction at another. In spite of the smaller number of its cultivators, the soil brought forth as much or more produce, after as before, because the revolution in the conditions of landed property was accompanied by improved methods of culture, greater co-operation, concentration of the means of production, &c., and because not only were the agricultural wage-labourers put on the strain more intensely, but the field of production on which they worked for themselves, became more and more contracted. With the setting

1 In his “Notions de Philosophie Naturelle.” Paris, 1838.
2 A point that Sir James Steuart emphasises.
free of a part of the agricultural population, therefore, their former means of nourishment were also set free. They were now transformed into material elements of variable capital. The peasant, expropriated and cast adrift, must buy their value in the form of wages, from his new master, the industrial capitalist. That which holds good of the means of subsistence holds with the raw materials of industry dependent upon home agriculture. They were transformed into an element of constant capital. Suppose, e.g., a part of the Westphalian peasants, who, at the time of Frederick II., all spin flax, forcibly expropriated and hunted from the soil; and the other part that remained, turned into day-labourers of large farmers. At the same time arise large establishments for flax-spinning and weaving, in which the men "set free" now work for wages. The flax looks exactly as before. Not a fibre of it is changed, but a new social soul has popped into its body. It forms now a part of the constant capital of the master manufacturer. Formerly divided among a number of small producers, who cultivated it themselves and with their families spun it in retail fashion, it is now concentrated in the hand of one capitalist, who sets others to spin and weave it for him. The extra labour expended in flax-spinning realised itself formerly in extra income to numerous peasant families, or maybe, in Frederick II.'s time, in taxes pour le roi de Prusse. It realises itself now in profit for a few capitalists. The spindles and looms, formerly scattered over the face of the country, are now crowded together in a few great labour-barracks, together with the labourers and the raw material. And spindles, looms, raw material, are now transformed, from means of independent existence for the spinners and weavers, into means for commanding them and sucking out of them unpaid

3 "Je permettrai," says the capitalist, "que ayez l'honneur de me servir, a condition que vous me donnez le peu qui vous reste pour la peine que je prends de vous commander." "Discours sur l'Economic Politique."
labour. One does not perceive, when looking at the large manufactories and the large farms, that they have originated from the throwing into one of many small centres of production, and have been built up by the expropriation of many small independent producers. Nevertheless, the popular intuition was not at fault. In the time of Mirabeau, the lion of the Revolution, the great manufactories were still called manufactures reunies, workshop thrown into one, as we speak of fields thrown into one. Says Mirabeau: “We are only paying attention to the grand manufactories, in which hundreds of men work under a director and which are commonly called manufactures reunies. Those where a very large number of labourers work, each separately and on his own account, are hardly considered; they are placed at an infinite distance from the others. This is a great error, as the latter alone make a really important object of national prosperity . . . The large workshop (manufacture reunie) will enrich prodigiously one or two entrepreneurs, but the labourers will only be journeymen, paid more or less, and will not have any share in the success of the undertaking. In the discrete workshop (manufacture separate), on the contrary, no one will become rich, but many labourers will be comfortable; the saving and the industrious will be able to amass a little capital, to put by a little for a birth of a child, for an illness, for themselves or their belongings. The number of saving and industrious labourers will increase, because they will see in good conduct, in activity, a means of essentially bettering their condition, and not of obtaining a small rise of wages that can never be of any importance for the future, and whose sole result is to place men in the position to live a little better, but only from day to day . . . The large workshops, undertakings of certain private persons who pay labourers from day to day to work for their gain, may be able to put these private individuals at their ease, but they will never be an object worth the attention of governments. Discrete workshops, for the most part combined with cultivation
of small holdings, are the only free ones." The expropriation and eviction of a part of the agricultural population not only set free for industrial capital, the labourers, their means of subsistence, and material for labour: it also created the home-market.

In fact, the events that transformed the small peasants into wage-labourers, and their means of subsistence and of labour into material elements of capital, created, at the same time, a home market for the latter. Formerly, the peasant family produced the means of subsistence and the raw materials, which they themselves, for the most part, consumed. These raw materials and means of subsistence have now become commodities; the large farmer sells them, he finds his market in manufactures. Yarn, linen, coarse woollen stuffs—things whose raw materials had been within the reach of every peasant family, had been spun and woven by it for its own use—were now transformed into articles of manufacture, to which the country districts at once served for markets. The many scattered customers, whom stray artisans until now had found in the numerous small producers working on their own account, concentrate themselves now into one great market provided for by industrial capital. Thus, hand in hand with the expropriation of the self-supporting peasants, with their separation from their means of production, goes the destruction

4 Mirabeau, 1. c. t. III., pp. 20–109 passim. That Mirabeau considers the separate workshops more economical and productive than the "combined," and sees in the latter merely artificial exotics under government cultivation, is explained by the position at that time of a great part of the continental manufactures.

5 "Twenty pounds of wool converted unobtrusively into the yearly clothing of a labourer's family by its own industry in the intervals of other work—this makes no show; but bring it to market, send it to the factory, thence to the broker, thence to the dealer, and you will have great commercial operations, and nominal capital engaged to the amount of twenty times its value. . . . The working-class is thus emersed to support a wretched factory population, a parasitical shop-keeping class, and a fictitious commercial, monetary, and financial system. (David Urquhart, I.c., p. 120.)
of rural domestic industry, the process of separation between manufacture and agriculture. And only the destruction of rural domestic industry can give the internal market of a country that extension and consistence which the capitalist mode of production requires. Still the manufacturing period, properly so called, does not succeed in carrying out this transformation radically and completely. It will be remembered that manufacture, properly so called, conquers but partially the domain of national production, and always rests on the handicrafts of the town and the domestic industry of the rural districts as its ultimate basis. If it destroys these in one form, in particular branches, at certain points, it calls them up again elsewhere, because it needs them for the preparation of raw material up to a certain point. It produces, therefore, a new class of small villagers who, while following the cultivation of the soil as an accessory calling, find their chief occupation in industrial labour, the products of which they sell to the manufacturers directly, or through the medium of merchants. This is one, though not the chief, cause of a phenomenon which, at first, puzzles the student of English history. From the last third of the 15th century he finds continually complaints, only interrupted at certain intervals, about the encroachment of capitalist farming in the country districts, and the progressive destruction of the peasantry. On the other hand, he always finds this peasantry turning up again, although in diminished number, and always under worse conditions. The chief reason is: England is at one time chiefly a cultivator of corn, at another chiefly a breeder of cattle, in alternate periods, and with these the extent of peasant cultivation fluctuates. Modern Industry alone, and finally, supplies, in machinery, the lasting basis of capitalistic agriculture, expropriates radically the

*Cromwell’s time forms an exception. So long as the Republic lasted, the mass of the English people of all grades rose from the degradation into which they had sunk under the Tudors.*
enormous majority of the agricultural population, and completes the separation between agriculture and rural domestic industry, whose roots—spinning and weaving—it tears up. It therefore also, for the first time, conquers for industrial capital the entire home-market.


7 Tuckett is aware that the modern woollen industry has sprung, with the introduction of machinery, from the manufacture proper and from the destruction of rural and domestic industries. "The plough, the yoke, were 'the invention of gods, and the occupation of heroes;' are the loom, the spindle, the distaff, of less noble parentage. You sever the distaff and the plough, the spindle and the yoke, and you get factories and poor-houses, credit and panics, two hostile nations, agricultural and commercial." (David Urquhart, I.e., p. 122.) But now comes Carey, and cries out upon England, surely not with unreason, that it is trying to turn every other country into a mere agricultural nation, whose manufacturer is to be England. He pretends that in this way Turkey has been ruined, because "the owners and occupants of land have never been permitted by England to strengthen themselves by the formation of that natural alliance between the plough and the loom, the hammer and the harrow." ("The Slave Trade," p. 125.) According to him, Urquhart himself is one of the chief agents in the ruin of Turkey, where he had made Free-trade propaganda in the English interest. The best of it is that Carey, a great Russophile by the way, wants to prevent the process of separation by that very system of protection which accelerates it.

8 Philanthropic English economists, like Mill, Rogers, Goldwin Smith, Fawcett, &c., and liberal manufacturers like John Bright & Co., ask the English landed proprietors, as God asked Cain and Abel, Where are our thousands of freeholders gone? But where do you come from, then? From the destruction of those freeholders. Why don't you ask further, where are the independent weavers, spinners, and artisans gone?
KARL MARX

Pre-Capitalist Relationships

Interest-bearing capital, or, as we may call it in its antiquated form, usurer’s capital, belongs together with its twin brother, merchant’s capital, to the antediluvian forms of capital, which long precede the capitalist mode of production and are to be found in the most diverse economic formations of society.

The existence of usurer’s capital merely requires that at least a portion of products should be transformed into commodities, and that money should have developed in its various functions along with trade in commodities.

The development of usurer’s capital is bound up with the development of merchant’s capital and especially that of money-dealing capital. In ancient Rome, beginning with the last years of the Republic, when manufacturing stood far below its average level of development in the ancient world, merchant’s capital, money-dealing capital, and usurer’s capital developed to their highest point within the ancient form.

We have seen that hoarding necessarily appears along with money. But the professional hoarder does not become important until he is transformed into a usurer.

The merchant borrows money in order to make a profit with it, in order to use it as capital, that is, to expend it. Hence in earlier forms of society the money-lender stands in the same relation to him as to the modern capitalist. This specific relation was also experienced by the Catholic universities. “The universities of Alcalá, Salamanca, Ingolstadt, Freiburg in Breisgau, Mayence, Cologne, Trèves, one after another recognised the legality of interest for commercial loans. The first five of these approbations were deposited in the archives of the Consulate of the city of Lyons and published in the appendix to the Traité de l’usure et des intérêts,
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by Bruyset-Ponthus, Lyons." (M. Augier, Le Crédit public, etc., Paris, 1842, p. 206.) In all the forms in which slave economy (not the patriarchal kind, but that of later Grecian and Roman times) serves as a means of amassing wealth, where money therefore is a means of appropriating the labour of others through the purchase of slaves, land, etc., money can be expanded as capital, i.e., bear interest, for the very reason that it can be so invested.

The characteristic forms, however, in which usurer’s capital exists in periods antedating capitalist production are of two kinds. I purposely say characteristic forms. The same forms repeat themselves on the basis of capitalist production, but as mere subordinate forms. They are then no longer the forms which determine the character of interest-bearing capital. These two forms are: first, usury by lending money to extravagant members of the upper classes, particularly landowners; secondly, usury by lending money to small producers who possess their own conditions of labour—this includes the artisan, but mainly the peasant, since particularly under pre-capitalist conditions, in so far as they permit of small independent individual producers, the peasant class necessarily constitutes the overwhelming majority of them.

Both the ruin of rich landowners through usury and the impoverishment of the small producers lead to the formation and concentration of large amounts of money-capital. But to what extent this process does away with the old mode of production, as happened in modern Europe, and whether it puts the capitalist mode of production in its stead, depends entirely upon the stage of historical development and the attendant circumstances.

Usurer’s capital as the characteristic form of interest-bearing capital corresponds to the predominance of small-scale production of the self-employed peasant and small master craftsman. When the labourer is confronted by the conditions of labour and by the product of labour in the shape of capital, as under the developed
capitalist mode of production, he has no occasion to borrow any money as a producer. When he does any money borrowing, he does so, for instance, at the pawnshop to secure personal necessities. But wherever the labourer is the owner, whether actual or nominal, of his conditions of labour and his product, he stands as a producer in relation to the money-lender's capital, which confronts him as usurer's capital. Newman expresses the matter insipidly when he says the banker is respected, while the usurer is hated and despised, because the banker lends to the rich, whereas the usurer lends to the poor. (F.W. Newman, Lectures on Political Economy, London, 1851, p. 44.) He overlooks the fact that a difference between two modes of social production and their corresponding social orders lies at the heart of the matter and that the situation cannot be explained by the distinction between rich and poor. Moreover, the usury which sucks dry the small producer goes hand in hand with the usury which sucks dry the rich owner of a large estate. As soon as the usury of the Roman patricians had completely ruined the Roman plebeians, the small peasants, this form of exploitation came to an end and a pure slave economy replaced the small peasant economy.

In the form of interest, the entire surplus above the barest means of subsistence (the amount that later becomes wages of producers) can be consumed by usury (this later assumes the form of profit and ground-rent), and hence it is highly absurd to compare the level of this interest, which assimilates all the surplus-value excepting the share claimed by the state, with the level of the modern interest rate, where interest constitutes at least normally only a part of the surplus-value. Such a comparison overlooks that the wage-worker produces and gives to the capitalist who employs him, profit, interest and ground-rent, i.e., the entire surplus-value. Carey makes this absurd comparison in order to show how advantageous the development of capital, and the fall in the interest rate that accompanies it, are for the labourer.
Furthermore, while the usurer, not content with squeezing the surplus-labour out of his victim, gradually acquires possession even of his very conditions of labour, land, house, etc., and is continually engaged in thus expropriating him, it is again forgotten that, on the other hand, this complete expropriation of the labourer from his conditions of labour is not a result which the capitalist mode of production seeks to achieve, but rather the established condition for its point of departure. The wage-slave, just like the real slave, cannot become a creditor's slave due to his position—at least in his capacity as producer; the wage-slave, it is true, can become a creditor's slave in his capacity as consumer. Usurer's capital in the form whereby it indeed appropriates all of the surplus-labour of the direct producers, without altering the mode of production; whereby the ownership or possession by the producers of the conditions of labour—and small-scale production corresponding to this—is its essential prerequisite; whereby, in other words, capital does not directly subordinate labour to itself, and does not, therefore, confront it as industrial capital—this usurer's capital impoverishes the mode of production, paralyses the productive forces instead of developing them, and at the same time perpetuates the miserable conditions in which the social productivity of labour is not developed at the expense of labour itself, as in the capitalist mode of production.

Usury thus exerts, on the one hand, an undermining and destructive influence on ancient and feudal wealth and ancient and feudal property. On the other hand, it undermines and ruins small-peasant and small-burgher production, in short, all forms in which the producer still appears as the owner of his means of production. Under the developed capitalist mode of production, the labourer is not the owner of the means production, i.e., the field which he cultivates, the raw materials which he processes, etc. But under this system separation of the producer from the means of production reflects an actual revolution in the mode of
production itself. The isolated labourers are brought together in large workshops for the purpose of carrying out separate but interconnected activities; the tool becomes a machine. The mode of production itself no longer permits the dispersion of the instruments of production associated with small property; nor does it permit the isolation of the labourer himself. Under the capitalist mode of production usury can no longer separate the producer from his means of production, for they have already been separated.

Usury centralises money wealth where the means of production are dispersed. It does not alter the mode of production, but attaches itself firmly to it like a parasite and makes it wretched. It sucks out its blood, enervates it and compels reproduction to proceed under ever more pitiable conditions. Hence the popular hatred against usurers, which was most pronounced in the ancient world where ownership of means of production by the producer himself was at the same time the basis for political status, the independence of the citizen.

To the extent that slavery prevails, or in so far as the surplus-product is consumed by the feudal lord and his retinue, while either the slave-owner or the feudal lord fall into the clutches of the usurer, the mode of production still remains the same; it only becomes harder on the labourer. The indebted slave-holder or feudal lord becomes more oppressive because he is himself more oppressed. Or he finally makes way for the usurer, who becomes a landed proprietor or a slave-holder himself, like the knights in ancient Rome. The place of the old exploiter, whose exploitation was more or less patriarchal because it was largely a means of political power, is taken by a hard, money-mad parvenu. But the mode of production itself is not altered thereby.

Usury has a revolutionary effect in all pre-capitalist modes of production only in so far as it destroys and dissolves those forms of property on whose solid foundation and continual reproduction
in the same form the political organisation is based. Under Asian forms, usury can continue a long time, without producing anything more than economic decay and political corruption. Only where and when the other prerequisites of capitalist production are present does usury become one of the means assisting in establishment of the new mode of production by ruining the feudal lord and small-scale producer, on the one hand, and centralising the conditions of labour into capital, on the other.

In the Middle Ages no country had a general rate of interest. The Church forbade, from the outset, all lending at interest. Laws and courts offered little protection for loans. Interest was so much the higher in individual cases. The limited circulation of money, the need to make most payments in cash, compelled people to borrow money, and all the more so when the exchange business was still undeveloped. There were large divergences both in interest rates and the conceptions of usury. In the time of Charlemagne it was considered usurious to charge 100%. In Lindau on Lake Constance, some local burghers took $2\frac{1}{3}\%$ in 1348. In Zurich, the City Council decreed that $43\frac{1}{3}\%$ should be the legal interest rate. In Italy 40% had to be paid sometimes, although the usual rate from the 12th to the 14th century did not exceed 20%. Verona ordered that 12 $\frac{1}{5}\%$ be the legal rate. Emperor Friedrich II fixed the rate at 10%, but only for Jews. He did not deign to speak for Christians. In the German Rhine provinces, 10%, was the rule as early as the 13th century. (Hullman, Geschichte des Stadtewesens, II, S. 55-57.)

Usurer's capital employs the method of exploitation characteristic of capital yet without the latter's mode of production. This condition also repeats itself within bourgeois economy, in backward branches of industry or in those branches which resist the transition to the modern mode of production. For instance, if we wish to compare the English interest rate with the Indian, we should not take the interest rate of the Bank of
England, but rather, e.g., that charged by lenders of small machinery to small producers in domestic industry.

Usury, in contradistinction to consuming wealth, is historically important, inasmuch as it is in itself a process generating capital. Usurer's capital and merchant's wealth promote the formation of moneyed wealth independent of landed property. The less products assume the character of commodities, and the less intensively and extensively exchange-value has taken hold of production, the more does money appear as actual wealth as such, as wealth in general—in contrast to its limited representation in use-values. This is the basis of hoarding. Aside from money as world-money and as hoard, it is, in particular, the form of means of payment whereby it appears as the absolute form of commodities. And it is especially its function as a means of payment which develops interest and thereby money-capital. What squandering and corrupting wealth desires is money as such, money as a means of buying everything (also as a means of paying debts). The small producer needs money above all for making payments. (The transformation of services and taxes in kind to landlords and the state into money-rent and money-taxes plays a great role here.) In either case, money is needed as such. On the other hand, it is in usury that hoarding first becomes reality and that the hoarder fulfils his dream. What is sought from the owner of a hoard is not capital, but money as such; but by means of interest he transforms this hoard of money into capital, that is, into a means of appropriating surplus-labour in part or in its entirety, and similarly securing a hold on a part of the means of production themselves, even though they may nominally remain the property of others. Usury lives in the pores of production, as it were, just as the gods of Epicurus lived in the space between worlds. Money is so much harder to obtain, the less the commodity-form constitutes the general form of products. Hence the usurer knows no other barrier but the capacity of those who need money to pay
or to resist. In small-peasant and small-burgher production money serves as a means of purchase, mainly, whenever the means of production of the labourer (who is still predominantly their owner under these modes of production) are lost to him either by accident or through extraordinary upheavals, or at least are not replaced in the normal course of reproduction. Means of subsistence and raw materials constitute an essential part of these requirements of production. If these become more expensive, it may make it impossible to replace them out of the returns for the product, just as ordinary crop failures may prevent the peasant from replacing his seed in kind. The same wars through which the Roman patricians ruined the plebeians by compelling them to serve as soldiers and which prevented them from reproducing their conditions of labour, and therefore made paupers of them (and pauperisation, the crippling or loss of the prerequisites of reproduction is here the predominant form)—these same wars filled the store-rooms and coffers of the patricians with looted copper, the money of that time. Instead of directly giving plebeians the necessary commodities, i.e., grain, horses, and cattle, they loaned them this copper for which they had no use themselves, and took advantage of this situation to exact enormous usurious interest, thereby turning the plebeians into their debtor slaves. During the reign of Charlemagne, the Frankish peasants were likewise ruined by wars, so that they faced no choice but to become serfs instead of debtors. In the Roman Empire, as is known, extreme hunger frequently resulted in the sale of children and also in free men selling themselves as slaves to the rich. So much for general turning-points. In individual cases the maintenance or loss of the means of production on the part of small producers depends on a thousand contingencies, and every one of these contingencies or losses signifies impoverishment and becomes a crevice into which a parasitic usurer may creep. The mere death of his cow may render the small peasant incapable of renewing his reproduction on its
former scale. He then falls into the clutches of the usurer, and once in the usurer’s power he can never extricate himself.

The really important and characteristic domain of the usurer, however, is the function of money as a means of payment. Every payment of money, ground-rent, tribute, tax, etc., which becomes due on a certain date, carries with it the need to secure money for such a purpose. Hence from the days of ancient Rome to those of modern times, wholesale usury relies upon tax-collectors, fermiers généraux, receveurs généraux. Then, there develops with commerce and generalisation of commodity-production the separation, in time, of purchase and payment. The money has to be paid on a definite date. How this can lead to circumstances in which the money-capitalist and usurer, even nowadays, merge into one is shown by modern money crises. This same usury, however, becomes one of the principal means of further developing the necessity for money as a means of payment—by driving the producer ever more deeply into debt and destroying his usual means of payment, since the burden of interest alone makes his normal reproduction impossible. At this point, usury sprouts up out of money as a means of payment and extends this function of money as its very own domain.

The credit system develops as a reaction against usury. But this should not be misunderstood, nor by any means interpreted in the manner of the ancient writers, the church fathers, Luther or the early socialists. It signifies no more and no less than the subordination of interest-bearing capital to the conditions and requirements of the capitalist mode of production.

On the whole, interest-bearing capital under the modern credit system is adapted to the conditions of the capitalist mode of production. Usury as such does not only continue to exist, but is even freed, among nations with a developed capitalist production, from the fetters imposed upon it by all previous legislation.
Interest-bearing capital retains the form of usurer’s capital in relation to persons or classes, or in circumstances where borrowing does not, nor can, take place in the sense corresponding to the capitalist mode of production; where borrowing takes place as a result of individual need, as at the pawnshop; where money is borrowed by wealthy spendthrifts for the purpose of squandering; or where the producer is a non-capitalist producer, such as a small farmer or craftsman, who is thus still, as the immediate producer, the owner of his own means of production; finally where the capitalist producer himself operates on such a small scale that he resembles those self-employed producers.

What distinguishes interest-bearing capital—in so far as it is an essential element of the capitalist mode of production—from usurer’s capital is by no means the nature or character of this capital itself. It is merely the altered conditions under which it operates, and consequently also the totally transformed character of the borrower who confronts the money-lender. Even when a man without fortune receives credit in his capacity of industrialist or merchant, it occurs with the expectation that he will function as capitalist and appropriate unpaid labour with the borrowed capital. He receives credit in his capacity of potential capitalist. The circumstance that a man without fortune but possessing energy, solidity, ability and business acumen may become a capitalist in this manner—and the commercial value of each individual is pretty accurately estimated under the capitalist mode of production—is greatly admired by apologists of the capitalist system. Although this circumstance continually brings an unwelcome number of new soldiers of fortune into the field and into competition with the already existing individual capitalists, it also reinforces the supremacy of capital itself, expands its base and enables it to recruit ever new forces for itself out of the substratum of society. In a similar way, the circumstance that the
Catholic Church in the Middle Ages formed its hierarchy out of the best brains in the land, regardless of their estate, birth or fortunes, was one of the principal means of consolidating ecclesiastical rule and suppressing the laity. The more a ruling class is able to assimilate the foremost minds of a ruled class, the more stable and dangerous becomes its rule.

The initiators of the modern credit system take as their point of departure not an anathema against interest-bearing capital in general, but on the contrary, its explicit recognition.

We are not referring here to such reactions against usury which attempted to protect the poor against it, like the *Monts-de-piete* (1350 in Sarlins in Franche-Comte, later in Perugia and Savona in Italy, 1400 and 1479). These are noteworthy mainly because they reveal the irony of history, which turns pious wishes into their very opposite during the process of realisation. According to a moderate estimate, the English working-class pays 100% to the pawnshops, the modern successors of *Monts-de-piete*. We are also not referring to the credit fantasies of such men as Dr. Hugh Chamberleyne or John Briscoe, who attempted during the last decade of the 17th century to emancipate the English aristocracy from usury by means of a farmers' bank using paper money based on real estate.

1 “It is by frequent fluctuations within the month, and by pawning one article to relieve another, where a small sum in obtained, that the premium for money becomes so excessive. There are about 240 licensed pawnbrokers in the metropolis, and nearly 1,450 in the country. The capital employed is supposed somewhat to exceed a million pounds sterlings; and this capital is turned round thrice in the course of a year, and yields each time about 33½ per cent on an average; according to which calculation, the inferior orders of society in England pay about one million a year for the use of a temporary loan, exclusive of what they lose by goods being forfeited.” (J.D. Tuckett, *A History of the Past and Present State of the Labouring Population*, London, 1846, I, p. 114.)

2 Even in the titles of their works they state as their principal purpose “the general good of the landed men, the great increase of the value of land.”
The credit associations established in the 12th and the 14th centuries in Venice and Genoa arose from the need for marine commerce and the wholesale trade associated with it to emancipate themselves from the domination of out-moded usury and the monopolisation of the money business. While the actual banks founded in those city-republics assumed simultaneously the shape of public credit institutions from which the state received loans on future tax revenues, it should not be forgotten that the merchants founding those associations were themselves prominent citizens of those states and as much interested in emancipating their government as they were in emancipating themselves from the exactions of usurers, and at the same time in getting tighter and more secure control over the state. Hence, when the Bank of England was to be established, the Tories also protested: “Banks are republican institutions. Flourishing banks existed in Venice, Genoa, Amsterdam, and Hamburg. But who ever heard of a Bank of France or Spain?”

The Bank of Amsterdam, in 1609, was not epoch-making in the development of the modern credit system any more than that of Hamburg in 1619. It was purely a bank for deposits. The cheques exemption of “the nobility, gentry, etc., from taxes, enlarging their yearly estates, etc.” Only the usurers would stand to lose, those worst enemies of the nation who had done more injury to the nobility and yeomanry than an army of invasion from France could have done.

3 “The rich goldsmith (the precursor of the banker), for example, made Charles II of England pay twenty and thirty per cent for accommodation. A business so profitable, induced the goldsmith ‘more and more to become lender to the King, to anticipate all the revenue, to take every grant of Parliament into pawn as soon as it was given; also to outvie each other in buying and taking to pawn bills, orders, and tallies, so that, in effect, all the revenue passed through their hands.’” (John Francis, History of the Bank of England, London, 1848, 1, p. 31.) “The erection of a bank had been suggested several times before that. It was at last a necessity” (I.c., p. 38). “The bank was a necessity for the government itself, sucked dry by usurers, in order to obtain money at a reasonable rate, on the security of parliamentary grants.” (I.c., pp. 59, 60)
issued by the bank were indeed merely receipts for the deposited coined and uncoined precious metal, and circulated only with the endorsement of the acceptors. But in Holland commercial credit and dealing in money developed hand in hand with commerce and manufacture, and interest-bearing capital was subordinated to industrial and commercial capital by the course of development itself. This could already be seen in the low interest rate. Holland, however, was considered in the 17th century the model of economic development, as England is now. The monopoly of old-style usury, based on poverty, collapsed in that country of its own weight.

During the entire 18th century there is the cry, with Holland referred to as an example, for a compulsory reduction of the rate of interest (and legislation acts accordingly), in order to subordinate interest-bearing capital to commercial and industrial capital, instead of the reverse. The main spokesman for this movement is Sir Josiah Child, the father of ordinary English private banking. He declaims against the monopoly of usurers in much the same way as the wholesale clothing manufacturers, Moses & Son, do when leading the fight against the monopoly of "private tailors." This same Josiah Child is simultaneously the father of English stock-jobbing. Thus, this autocrat of the East India Company defends its monopoly in the name of free trade. Versus Thomas Manley (Interest of Money Mistaken) he says: "As the champion of the timid and trembling band of usurers he erects his main batteries at that point which I have declared to be the weakest . . . he denies point-blank that the low rate of interest is the cause of wealth and vows that it is merely its effect." (Traites sur le Commerce, etc., 1669, trad. Amsterdam et Berlin, 1754.) "If it is commerce that enriches a country, and if a lowering of interest increases commerce, then a lowering of interest or a restriction of usury is doubtless a fruitful primary cause of the wealth of a nation. It is not at all absurd to say that the same thing may be
simultaneously a cause under certain circumstances, and an effect under others” (I. c., p. 155). “The egg is the cause of the hen, and the hen is the cause of the egg. The lowering of interest may cause an increase of wealth, and the increase of wealth may cause a still greater reduction of interest” (I. c., p. 156). “I am the defender of industry and my opponent defends laziness and sloth” (p. 179).

This violent battle against usury, this demand for the subordination of interest-bearing capital to industrial capital, is but the herald of the organic creations that establish these prerequisites of capitalist production in the modern banking system, which on the one hand robs usurer’s capital of its monopoly by concentrating all idle money reserves and throwing them on the money-market, and on the other hand limits the monopoly of the precious metal itself by creating credit-money.

The same opposition to usury, the demand for the emancipation of commerce, industry and the state from usury, which are observed here in the case of Child, will be found in all writings on banking in England during the last third of the 17th and the early 18th centuries. We also find colossal illusions about the miraculous effects of credit, abolition of the monopoly of precious metal, its displacement by paper, etc. The Scotsman William Paterson, founder of the Bank of England and the Bank of Scotland, is by all odds Law the First.

Against the Bank of England “all goldsmiths and pawnbrokers set up a howl of rage.” (Macaulay, History of England, IV, p. 499.) “During the first ten years the Bank had to struggle with great difficulties; great foreign feuds; its notes were only accepted far below their nominal value ... the goldsmiths (in whose hands the trade in precious metals served as a basis of a primitive banking business) were jealous of the Bank, because their business was diminished, their discounts were lowered, their transactions with the government had passed to their opponents.” (J. Francis, I.c., p. 73.)
Even before the establishment of the Bank of England a plan was proposed in 1683 for a National Bank of Credit, which had for its purpose, among others, “that tradesmen, when they have a considerable quantity of goods, may, by the help of this bank, deposit their goods, by raising a credit on their own dead stock, employ their servants, and increase their trade, till they get a good market instead of selling them at a loss.” After many endeavours this Bank of Credit was established in Devonshire House on Bishopsgate Street. It made loans to industrialists and merchants on the security of deposited goods to the amount of three-quarters of their value, in the form of bills of exchange. In order to make these bills of exchange capable of circulating, a number of people in each branch of business were organised into a society, from which every possessor of such bills would be able to obtain goods with the same facility as if he were to offer them cash payment. This bank’s business did not flourish. Its machinery was too complicated, and the risk too great in case of a commodity depreciation.

If we go by the actual content of those records which accompany and theoretically promote the formation of the modern credit system in England, we shall not find anything in them but—as one of its conditions—the demand for a subordination of interest-bearing capital and of loanable means of production in general to the capitalist mode of production. On the other hand, if we simply cling to the phraseology, we shall be frequently surprised by the agreement—including the mode of expression—with the illusions of the followers of Saint-Simon about banking and credit.

Just as in the writings of the physiocrats the cultivateur does not stand for the actual tiller of the soil, but for the big farmer, so the travailleur with Saint-Simon, and continuing on through his disciples, does not stand for the labourer, but for the industrial and commercial capitalist. “Un travailleur a besoin d’aides, de
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seconds, d’ouvriers; il les cherche intelligents, habiles, devoues; it les met a l’oeuvre, et leurs travaux sont productifs.”*

In fact, one should bear in mind that only in his last work, *Le Nouveau Christianisme*, Saint-Simon speaks directly for the working-class and declares their emancipation to be the goal of his efforts. All his former writings are, indeed, mere encomiums of modern bourgeois society in contrast to the feudal order, or of industrialists and bankers in contrast to marshals and juristic manufacturers of Napoleonic era. What a difference compared with the contemporaneous writings of Owen! For the followers of Saint-Simon, the industrial capitalist likewise remains the travailleur par excellence, as the above-quoted passage indicates. After reading their writings critically, one will not be surprised that their credit and bank fantasies materialised in the Credit mobilier, founded by an ex-follower of Saint-Simon, Emile Pereire. This form, incidentally, could become dominant only in a country like France, where neither the credit system nor large-scale industry

* “A travailleur (worker) needs helpers, supporters, labourers, he looks for such as are intelligent, able, devoted, he puts them to work, and their labour is productive.” (Religion saint-simonienne. Economic politique et Politique, Paris, 1831, p. 104).

4 Marx would surely have modified this passage considerably, had he reworked his manuscript. It was inspired by the role of the ex-followers of Saint-Simon under France’s Second Empire, where, just at the time that Marx wrote the above, the world-redeeming credit fantasies of this school, through the irony of history, were being realised in the form of a tremendous swindle on a scale never seen before. Later Marx spoke only with admiration of the genius and encyclopaedic mind of Saint-Simon. When in his earlier works the latter ignores the antithesis between the bourgeoisie and the proletariat which was just then coming into existence in France, when he includes among the travailleurs that part of the bourgeoisie which was active in production, this corresponds to Fourier’s conception of attempting to reconcile capital and labour, and is explained by the economic and political situation of France in those days. The fact that Owen was more far-sighted in this respect is due to his different environment, for he lived in a period of industrial revolution and of acutely sharpening class antagonisms.—F. Engels.
had reached the modern level of development. This was not at all possible in England and America. The embryo of Crédit mobilier, is already contained in the following passages from Doctrine de Saint-Simon. Exposition. Premiere année, 1828–29, 3me éd., Paris, 1831. It is understandable that bankers can lend money more cheaply than the capitalists and private usurers. These bankers are, therefore, “able to supply tools to the industrialists far more cheaply, that is, at lower interest, than the real estate owners and capitalists, who may be more easily mistaken in their choice of borrowers” (p. 202). But the authors themselves add in a footnote: “The advantage that would accrue from the mediation of bankers between the idle rich and the travailleurs is often counterbalanced, or even cancelled, by the opportunities offered in our disorganised society to egoism, which may manifest itself in various forms of fraud and charlatanism. The bankers often worm their way between the travailleurs and idle rich for the purpose of exploiting both to the detriment of society.” Travailleur here means capitaliste industriel. Incidentally, it is wrong to regard the means at the command of the modern banking system merely as the means of idle people. In the first place, it is the portion of capital which industrialists and merchants temporarily hold in the form of idle money, as a money reserve or as capital to be invested. Hence it is idle capital, but not capital of the idle. In the second place, it is the portion of all revenue and savings in general which is to be temporarily or permanently accumulated. Both are essential to the nature of the banking system.

But it should always be borne in mind that, in the first place, money—in the form of precious metal—remains the foundation from which the credit system, by its very nature, can never detach itself. Secondly, that the credit system presupposes the monopoly of social means of production by private persons (in the form of capital and landed property), that it is itself, on the one hand, an
immanent form of the capitalist mode of production, and on the other, a driving force in its development to its highest and ultimate form.

The banking system, so far as its formal organisation and centralisation is concerned, is the most artificial and most developed product turned out by the capitalist mode of production, a fact already expressed in 1697 in *Some Thoughts of the Interests of England*. This accounts for the immense power of an institution such as the Bank of England over commerce and industry, although their actual movements remain completely beyond its province and it is passive toward them. The banking system possesses indeed the form of universal book-keeping and distribution of means of production on a social scale, but solely the form. We have seen that the average profit of the individual capitalist, or of every individual capital, is determined not by the surplus-labour appropriated at first hand by each capital, but by the quantity of total surplus-labour appropriated by the total capital, from which each individual capital receives its dividend only proportional to its aliquot part of the total capital. This social character of capital is first promoted and wholly realised through the full development of the credit and banking system. On the other hand this goes farther. It places all the available and even potential capital of society that is not already actively employed at the disposal of the industrial and commercial capitalists so that neither the lenders nor users of this capital are its real owners or producers. It thus does away with the private character of capital and thus contains in itself, but only in itself, the abolition of capital itself. By means of the banking system the distribution of capital as a special business, a social function, is taken out of the hands of the private capitalists and usurers. But at the same time, banking and credit thus become the most potent means of driving capitalist production beyond its own limits, and
one of the most effective vehicles of crises and swindle.

The banking system shows, furthermore, by substituting various forms of circulating credit in place of money, that money is in reality nothing but a particular expression of the social character of labour and its products, which, however, as antithetical to the basis of private production, must always appear in the last analysis as a thing, a special commodity, alongside other commodities.

Finally, there is no doubt that the credit system will serve as a powerful lever during the transition from the capitalist mode of production to the mode of production of associated labour; but only as one element in connection with other great organic revolutions of the mode of production itself. On the other hand, the illusions concerning the miraculous power of the credit and banking system, in the socialist sense, arise from a complete lack of familiarity with the capitalist mode of production and the credit system as one of its forms. As soon as the means of production cease being transformed into capital (which also includes the abolition of private property in land), credit as such no longer has any meaning. This, incidentally, was even understood by the followers of Saint-Simon. On the other hand, as long as the capitalist mode of production continues to exist, interest-bearing capital, as one of its forms, also continues to exist and constitutes in fact the basis of its credit system. Only that sensational writer, Proudhon, who wanted to perpetuate commodity-production and abolish money, was capable of dreaming up the monstrous credit gratuit, the ostensible realisation of the pious wish of the pretty-bourgeois estate.

In Religion saint-simonienne, Economie politique et Politique, we read on page 45: "Credit serves the purpose, in a society in

5 Karl Marx, Misere de la Philosophie, Bruxelles et Paris, 1847.—Karl Marx, Zur Kritik der politischen Oekonomie. S. 64.
which some own the instruments of industry without the ability
or will to employ them, and where other industrious people have
no instruments of labour, of transferring these instruments in the
easiest manner possible from the hands of the former, their owners,
to the hands of the others who know how to use them. Note that
this definition regards credit as a result of the way in which property
is constituted. Therefore, credit disappears with this constitution
of property. We read, furthermore, on page 98, that the present
banks “consider it their business to follow the movement initiated
by transactions taking place outside of their domain, but not
themselves to provide an impulse to this movement; in other words,
the banks perform the role of capitalists in relation to the
travailleurs, whom they loan money.” The notion that the banks
themselves should take over the management and distinguish
themselves “through the number and usefulness of their managed
establishments and of promoted works” (p. 101) contains the credit
mobilier in embryo. In the same way, Charles Pecqueur demands
that the banks (which the followers of Saint-Simon call a Systeme
general des banques) “should rule production.” Pecqueur is
essentially a follower of Saint-Simon, but much more radical. He
wants “the credit institution . . . to control the entire movement of
national production.”—“Try to create a national credit
institution, which shall advance the wherewithal to needy people
of talent and merit, without, however, forcibly tying these
borrowers together through close solidarity in production and
consumption, but on the contrary enabling them to determine
their own exchange and production. In this way, you will only
accomplish what the private banks already accomplish now, that
is, anarchy, disproportion between production and consumption,
the sudden ruin of one person, and the sudden enrichment of
another; so that your institution will never get any farther than
producing a certain amount of benefits for one person,
corresponding to an equivalent amount of misfortune to be
endured by another . . . and you will have only provided the wage-labourers assisted by you with the means to compete with one another just as their capitalist masters now do.” (Ch. Peckouv, *Theorie Nouvelle d'Economie Sociale et Politique*, Paris, 1842, p. 434.)

We have seen that merchant's capital and interest-bearing capital are the oldest forms of capital. But it is in the nature of things that interest-bearing capital assumes in popular conception the form of capital *par excellence*. In merchant’s capital there takes place the work of middleman, no matter whether considered as cheating, labour, or anything else. But in the case of interest-bearing capital the self-reproducing character of capital, the self-expanding value, the production of surplus-value, appears purely as an occult property. This accounts for the fact that even some political economists, particularly in countries where industrial capital is not yet fully developed, as in France, cling to interest-bearing capital as the fundamental form of capital and regard ground-rent, for example, merely as a modified form of it, since the loan-form also predominates here. In this way, the internal organisation of the capitalist mode of production is completely misunderstood, and the fact is entirely overlooked that land, like capital, is loaned only to capitalists. Of course, means of production in kind, such as machines and business offices, can also be loaned instead of money. But they then represent a definite sum of money, and the fact that in addition to interest a part is paid for wear and tear is due to their use-value, i.e., the specific natural form of these elements of capital. The decisive factor here is again whether they are loaned to direct producers, which would presuppose the non-existence of the capitalist mode of production—at least in the sphere in which this occurs—or whether they are loaned to industrial capitalists, which is precisely the assumption based upon the capitalist mode of production. It is still more irrelevant and meaningless to drag the lending of
houses, etc., for individual use into this discussion. That the working-class is also swindled in this form, and to an enormous extent, is self-evident; but this is also done by the retail dealer, who sells means of subsistence to the worker. This is secondary exploitation, which runs parallel to the primary exploitation taking place in the production process itself. The distinction between selling and loaning is quite immaterial in this case and merely formal, and, as already indicated, cannot appear as essential to anyone, unless he be wholly unfamiliar with the actual nature of the problem.

* * * * *

Usury, like commerce, exploits a given mode of production. It does not create it, but is related to it outwardly. Usury tries to maintain it directly, so as to exploit it ever anew; it is conservative and makes this mode of production only more pitiable. The less elements of production enter into the production process as commodities, and emerge from it as commodities, the more does their origination from money appear as a separate act. The more insignificant the role played by circulation in the social reproduction, the more usury flourishes.

That money wealth develops as a special kind of wealth, means in respect to usurer's capital that it possesses all its claims in the form of money claims. It develops that much more in a given country, the more the main body of production is limited to natural services, etc., that is, to use-values.

Usury is a powerful lever in developing the preconditions for industrial capital in so far as it plays the following double role, first, building up, in general, an independent money wealth alongside that of the merchant, and, secondly, appropriating the conditions of labour, that is, ruining the owners of the old conditions of labour.
Interest in the Middle Ages

“In the Middle Ages the population was purely agricultural. Under such a government as was the feudal system there can be but little traffic, and hence but little profit. Hence the laws against usury were justified in the Middle Ages. Besides, in an agricultural country a person seldom wants to borrow money except he be reduced to poverty or distress. . . . In the reign of Henry VIII, interest was limited to 10 per cent. James I reduced it to 8 per cent . . . Charles II reduced it 6 per cent; in the reign of Queen Anne, it was reduced to 5 per cent. . . . In those times, the lenders . . . had, in fact, though not a legal, yet an actual monopoly, and hence it was necessary that they, like other monopolists, should be placed under restraint. In our times, it is the rate of profit which regulated the rate of profit. If the money-lender charged a high rate of interest to the merchant, the merchant must have charged a higher rate of profits on his goods. Hence, a large sum of money would be taken from the pockets of the purchasers to be put into the pockets of the money-lenders.” (Gilbart, History and Principles of Banking, pp. 163, 164, 165.)

“I have been told that 10 gulden are now taken annually at every Leipzig Fair,* that is, 30 on each hundred; some add the Neuenburg Fair, thus making 40 per hundred; whether that is so, I don’t know. For shame! What will be the infernal outcome of this? . . . Whoever now has 100 florins at Leipzig, takes 40 annually, which is the same as devouring one peasant or burgher each year. If one has 1,000 florins, he takes 400 annually, which means devouring a knight or a rich nobleman per year. If one has 10,000 florins, he takes 4,000 per year, which means devouring a rich count each year. If one has 100,000 florins, as the big merchants must possess, he takes 40,000 annually, which means devouring

* The author has in mind the loan of 100 gulden with interest payable in three instalments at the Leipzig Fair, held three times annually: New Year’s, Easter and St. Michael’s Day.—Ed.
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one affluent prince each year. If one has 1,000,000 florins, he takes 400,000 annually, which means devouring one mighty king every year. And he does not risk either of his person or his wares, does not work, sits near his fire-place and roasts apples; so might a lowly robber sit at home and devour a whole world in ten years.”

(Quoted from Bücher vom Kaufhandel und Wucher vom Jahre 1524, Luther’s Werke, Wittenberg; 1589, Teil 6.)

“Fifteen years ago I took pen in hand against usury, when it had spread so alarmingly that I could scarcely hope for any improvement. Since then it has become so arrogant that it deigns not to be classed as vice, sin, or shame, but achieves praise as pure virtue and honour, as though it were performing a great favour and Christian service for the people. What will help deliver us now that shame has turned into honour and vice into virtue?”

(Martin Luther, An die Pfarrherrn wider den Wucher zu predigen, Wittenberg, 1540.)

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“Jews, Lombards, usurers and extortioners were our first bankers, our primitive traffickers in money, their character little short of infamous . . . . They were joined by London goldsmiths. As a body . . . our primitive bankers . . . were a very bad set, they were gripping usurers, iron-hearted extortioners.” (D. Hardcastle, Banks and Bankers, 2nd ed., London, 1843, pp. 19, 20.)

“The example shown by Venice (in establishing a bank) was thus quickly imitated; all sea-coast towns, and in general all towns which had earned fame through their independence and commerce, founded their first banks. The return voyage of their ships, which often was of long duration, inevitably led to the custom of lending on credit. This was further intensified by the discovery of America and the ensuing trade with that continent.”

(This is the main point.) The chartering of ships made large loans necessary—a procedure already obtaining in ancient Athens and
Greece. In 1380, the Hanse town of Bruges possessed an insurance company. (M. Augier, l. c., pp. 202, 203.)

To what extent the granting of loans to landowners, and thus to the pleasure-seeking wealthy in general, still prevailed in the last third of the 17th century, even in England, before the development of modern credit, may be seen, among others, in the works of Sir Dudley North. He was not only of the first English merchants, but also one of the most prominent theoretical economists of his time: “The moneys employed at interest in this nation, are not near the tenth part, disposed to trading people, wherewith to manage their trades; but are for the most part lent for the supplying of luxury, and to support the expense of persons, who though great owners of lands, yet spend faster than their lands brings in; and being loath to sell, choose rather to mortgage their estates.” (*Discourses upon Trade*, London. 1691, pp. 6–7.)

Poland in the 18th century: “Warsaw carried on a large bustling business in bills of exchange which, however, had as its principal basis and aim the usury of its bankers. In order to secure money, which they could lend to spendthrift gentry at 8% and more, they sought and obtained abroad open exchange credit, that is, credit that had no commodity trade as its basis, but which the foreign drawee continued to accept as long as the returns from these manipulations did not fail to come in. However, they paid heavily for this through bankruptcies of men like Tapper and other highly respected Warsaw bankers.” (J.G. Busch, *Theoretisch-praktische Darstellung der Handlung. etc.*, 3rd ed., Hamburg, 1808, Vol. II, pp. 232, 233.)

*Advantages Derived by the Church From the Prohibition of Interest*

“Taking interest had been interdicted by the Church. But selling property for the purpose of finding succour in distress had not been forbidden. It had not even been prohibited to transfer
property to the money-lender as security for a certain term, until a debtor repaid his loan, leaving the money-lender free to enjoy the usufruct of the property as a reward for his abstinence from his money. . . . The Church itself, and its associated communes and pia corpora, derived much profit from this practice, particularly during the crusades. This brought a very large portion of national wealth into possession of the so-called 'dead hand,' all the more so because the Jews were barred from engaging in such usury, the possession of such fixed liens not being concealable. . . . Without the ban on interest churches and cloisters would never become so affluent” (1. c., p. 55).

The Theory of Ground Rent
Differential Rent:  
General Remarks

In the analysis of ground rent we shall begin with the assumption that products paying such rent, . . . i.e., that agricultural as well as mining products are sold at their prices of production like all other commodities. [. . .] We assume, then, that average selling prices of these products are equal to their prices of production. The question now arises how it is possible for ground rent to develop under these conditions, i.e., how it is possible for a portion of the profit to be transformed into ground rent, so that a portion of the commodity price falls to the landlord.

In order to demonstrate the general character of this form of ground-rent, let us assume that most of the factories of a certain country derive their power from steam engines, while a smaller number derive it from natural waterfalls. Let us further assume that the price of production in the former amounts to 115 for a quantity of commodities which have consumed a capital of 100. [. . .] We have previously shown that this price of production is not determined by the individual cost-price of every single industrial producer, but by the average cost price of the commodity under average conditions of capital in the entire sphere of production. It is, in fact, the market-price of production, the average market price as distinct from its oscillations. [. . .] [W]e shall assume furthermore that the cost-price in factories run on water power is only 90 instead of 100. Since the regulating market price of production of this quantity of commodities = 115, with a profit of 15%, the manufacturers who operate their machines on water-power will also sell their commodities at 115, i.e., the average price regulating the market-price. Their profit would then be 25
instead of 15; the regulating price of production would allow them a surplus profit of 10%, not because they sell their commodities above the price of production, but because they sell them at the price of production, because their commodities are produced, or their capital operates, . . . under conditions which are more favourable than the average prevailing in this sphere. [. . .]

To what circumstance does the industrial capitalist in the present case owe his surplus-profit, the surplus resulting for him personally from the price of production regulated by the general rate of profit?

He owes it in the first instance to a natural force—the motive power of the waterfall—which is found readily available in Nature and is not itself a product of labour like the coal which transforms water into steam. The coal, therefore, has value, must be paid for by an equivalent, and has a cost. The waterfall is a natural production agent, in the production of which no labour enters.

But this is not all. The manufacturer who operates with steam also employs natural forces which cost him nothing yet make the labour more productive and increase the surplus value and thereby the profit . . . . The manufacturer pays for the coal, but not for the capacity of water to alter its physical state, to turn into steam . . . . This monopolization of natural forces, that is, of the increase in labour power produced by them, is common to all capital operating with steam engines. [. . .] The fact that the application of a natural force, a waterfall, creates surplus-profit in this case, cannot therefore be due solely to the circumstance that the increased productivity of labour here results from the application of a natural force. Other modifying circumstances are necessary.

Conversely. The mere application of natural forces in industry may influence the level of the general rate of profit because it affects the quantity of labour required to produce the necessary means of subsistence. But in itself it does not create any deviation from the general rate of profit, and this is precisely the point in which we
are interested here. Furthermore, the surplus profit which some individual capital otherwise realizes in a particular sphere of production—for deviations of the rates of profit in various spheres of production are continually balanced out into an average rate—is due, apart from fortuitous deviations, to a reduction in cost-price, in production costs. This reduction arises either from the fact that capital is used in greater than averages quantities, so that the faux frais of production are reduced . . .; or it may arise from . . . better methods of labour, new inventions, improved machinery, chemical manufacturing secrets, etc., in short, new and improved, better than average means of production and methods of production are used. The reduction in cost price and the surplus-profit arising from it are here the result of the manner in which the functioning capital is invested. [...]

Now let us assume that the waterfalls, along with the land to which they belong, are held by individuals who are regarded as owners of these portions of the earth, i.e., who are landowners. These owners prevent the investment of capital in the waterfalls and their exploitation by capital. They can permit or forbid such utilization. But a waterfall cannot be created by capital out of itself. Therefore, the surplus profit which arises from the utilization 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 possession of the owner of the waterfall. If the manufacturer pays the owner of the waterfall £10 annually, then his profit is £15, that is, 15% on the £100 which then make up his cost of production; and he is just as well or possibly better off than all other capitalists in his sphere of production who operate with steam. It would not alter matters one bit if the capitalist himself should be the owner of a waterfall. He would, in such a case, pocket as before the surplus profit of £10 in his capacity as waterfall owner, and not in his
capacity as capitalist; and precisely because this surplus does not stem from his capital as such, but rather from the control of a limited natural force distinct from his capital which can be monopolized, is it transformed into ground-rent.

First, it is evident that this rent is always a differential rent, for it does not enter as a determining factor into the general production price of commodities, but rather is based on it. It invariably arises from a difference between the individual production price of a particular capital having command over the monopolized natural source, on the one hand, and the general production price of the total capital invested in the sphere of production concerned, on the other.

Secondly, this ground-rent does not arise from the absolute increase in the productiveness of employed capital... since this can only reduce the value of commodities; it is due to the greater relative fruitfulness of specific separate capitals invested in a certain production sphere, as compared with investments of capital which are excluded from these exceptional and natural conditions favouring productiveness. [. . .]

Thirdly, the natural force is not the source of surplus profit, but only its natural basis, because this natural basis permits an exceptional increase in the productiveness of labour. In the same way, use value is in general the bearer of exchange value, but not its cause. If the same use value could be obtained without labour, it would have no exchange value, yet it would retain, as before, the same natural usefulness as use value. On the other hand, nothing can have exchange value unless it has use value, i.e., unless it is a natural bearer of labour. [. . .]

Fourthly, the private ownership of the waterfall in itself has nothing to do with the creation of the surplus value (profit) portion, and therefore, of the price of the commodity in general, which is produced by means of the waterfall. This surplus profit would also exist if landed property did not exist; for instance, if
the land on which the waterfall is situated were used by the manufacturer as unclaimed land. Hence landed property does not create the portion of value which is transformed into surplus-profit, but merely enables the landowner, the owner of the waterfall, to coax this surplus-profit out of the pocket of the manufacturer and into his own.

Fifthly, it is evident that the price of the waterfall, that is, the price which the landowner would receive were he to sell it to a third party or even to the manufacturer himself, does not immediately enter into the production price of the commodities, although it does enter into the individual cost-price of the manufacturer; because the rent arises here from the price of production of similar commodities produced by steam machinery, and this price is regulated independently of the waterfall. Furthermore, this price of the waterfall on the whole is an irrational expression, but behind it is hidden a real economic relationship. The waterfall, like land in general and like any natural force, has no value, because it does not represent any materialized labour, and therefore, it has no price, which is normally no more than the expression of value in money terms. Where there is no value, there is eo ipso nothing to be expressed in money. This price is nothing more than the capitalized rent. [. . .] If the surplus profit realized by the manufacturer using the waterfall amounts to £10 per year, and the average interest is 5%, then these £10 represent the annual interest on a capital of £200 and the capitalization of the annual £10 . . . appears then as the capital-value of the waterfall itself. That it is not the waterfall itself which has value, but that its price is a mere reflection of the appropriated surplus value capitalistically calculated, becomes at once evident from the fact that the price of £200 represents merely the product obtained by multiplying a surplus profit of £10 by 20 years, whereas, other conditions remaining equal, the same waterfall will enable its owner to appropriate these £10 every year for an
indefinite number of years—30 years, 100 years, or $x$ years; and, whereas, on the other hand, should some new method of production not applicable with water power reduce the cost-price of commodities produced by steam machinery from £100 to £90, the surplus-profit, and thereby the rent, and thus the price of the waterfall, would disappear.

Now that we have described the general concept of differential rent, we shall pass on to its consideration in agriculture proper. What applies to agriculture will also apply on the whole to mining.

KARL MARX

First Form of Differential Rent
(Differential Rent I)

Ricardo is quite right in the following observations:

"Rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour" *(Principles*, p.59). [He means differential rent, for he assumes that no other rent but differential rent exists.] He should have added, "on equal areas of land" insofar as it is a matter of ground rent and not surplus profit in general. [. . .]

Ricardo is also right in the following observation, provided it is limited to differential rent:

"Whatever diminishes the inequality in the produce obtained on the same or new land, tends to lower rent, and whatever increases that inequality, necessarily produces an opposite effect and tends to raise it" (p. 74). [. . .]

We shall first consider the unequal results of equal quantities of capital applied to different plots of land of equal size; or, in the case of unequal size, results calculated on the basis of equal areas.

The two general causes of these unequal results—quite independently of capital—are: 1) *Fertility*. . . 2) The *location* of the land. This is a decisive factor in the case of the colonies and in general determines the sequence in which plots of land can be cultivated. Furthermore, it is evident that these two different causes of differential rent—fertility and location—may work in opposite directions. A certain plot of land may be very favourably located and yet be very poor in fertility, and vice versa. This circumstance is important, for it explains how it is possible that bringing into cultivation the land of a certain country may equally well proceed from the better to the worse land as vice versa. [. . .]
For the present, however, we shall leave this point concerning location... and confine ourselves to natural fertility. [...] Fertility, although an objective property of the soil, always implies an economic relation, a relation to the existing chemical and mechanical level of development in agriculture, and, therefore, changes with this level of development. Whether by chemical means (such as the use of certain liquid fertilizers on stiff clay soil and calcinations of heavy clayey soils) or mechanical means (such as special ploughs for heavy soils) the obstacles which made a soil of equal fertility actually less fertile can be eliminated (drainage also belongs under this head). [...] 

Let us assume the existence of four kinds of soil: A, B, C, D. Let us further assume the price of one quarter of wheat = £3, or 60 shillings. Since the rent is solely differential rent, this price of 60 shillings per quarter for the worst soil is equal to the price of production, that is, equal to the capital plus average profit.

Let A be the worst soil, which yields 1 quarter = 60 shillings for each 50 shillings spent; hence the profit amounts to 10 shillings, or 20%.

Let B yield 2 quarters = 120 shillings for the same expenditure. This will mean 70 shillings of profit, or a surplus-profit of 60 shillings.

Let C yield 3 quarters = 180 shillings for the same expenditure; total profit = 130 shillings; surplus profit = 120 shillings.

Let D yield 4 quarters = 240 shillings = 180 shillings of surplus profit.

We would then have the following sequence:

<table>
<thead>
<tr>
<th>Type of soil</th>
<th>Product</th>
<th>Capital</th>
<th>Profit</th>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>60</td>
<td>1/6</td>
<td>10</td>
</tr>
<tr>
<td>B</td>
<td>2</td>
<td>120</td>
<td>1/6</td>
<td>70</td>
</tr>
<tr>
<td>C</td>
<td>3</td>
<td>180</td>
<td>2/6</td>
<td>130</td>
</tr>
<tr>
<td>D</td>
<td>4</td>
<td>240</td>
<td>3/6</td>
<td>190</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>600</td>
<td>6/6</td>
<td>400</td>
</tr>
</tbody>
</table>


This sequence, which represents a given product in a given condition may, considered abstractly . . ., descend from D to A, from fertile to less and less fertile soil, or rise from A to D, from relatively poor to more and more fertile soils, or, finally, may fluctuate, i.e., now rising, now descending—for instance from D to C, from C to A, and from A to B.

KARL MARX

Second Form of Differential Rent
(Differential Rent II)

Thus far we have considered differential rent only as the result of varying productivity of equal amounts of capital invested in equal areas of land of different fertility, so that differential rent was determined by the difference between the yield from the capital invested in the worst, rentless soil and that from the capital invested in superior soil. We had side by side capitals invested in different plots of land, so that every new investment of capital signified a more extensive cultivation of the soil, an expansion of cultivated area. [...] But can it make any difference if capitals of different productivity are invested successively in the same plot of land or side by side in different plots of land, provided the results are the same?

To begin with, there is no denying that, in so far as the formation of surplus profit is concerned, it is immaterial whether £3 in production price per acre of A yield 1 qr, so that £3 is the . . . regulating market-price of 1 qr, while £3 in production price per acre of B yield 2 qrs, and thereby £3 of surplus profit, similarly, £3 in production price per acre of C yields 3 qrs and £6 of surplus-profit, and, finally, £3 in production price of D yield 4 qrs and a £9 surplus-profit; or whether the same result is obtained by applying these £12 in production price, or £10 of capital, with the same success in the same sequence upon one and the same acre. [...] The surplus-profit and the various rates of surplus-profit for the different value portions of capital are formed in the same manner in both cases. And the rent is nothing but a form of this surplus-profit, which constitutes its substance. But at any rate, in the second method, there are some difficulties concerning the
transformation of surplus-profit into rent, this change of form, which includes the transfer of surplus-profit from the capitalist tenant to the landowner. This accounts for the obstinate resistance of English tenants to official agricultural statistics. And it accounts for their struggle against the landlords over the determination of actual results derived from their capital investment (Morton). For rent is fixed when the land is leased, and after that the surplus-profit arising from successive investments of capital flows into the pockets of tenant as long as the lease lasts. That is why the tenants have fought for long leases, and, on the other hand, due to the greater power of the landlords, an increase in the number of tenancies at will has taken place, i.e., leases which can be cancelled annually.

It is therefore evident from the very outset that, even if immaterial for the law of formation of surplus-profit, it makes a considerable difference for the transformation of surplus-profit into ground-rent whether equal capitals are invested side by side in equal areas of land with unequal results, or whether they are invested successively in the same land. The latter method confines this transformation, on the one hand, within narrower limits, on the other hand, within more variable limits. For this reason, the work of the tax assessor, as Morton shows in his *Resources of Estates*, becomes a very important, complicated and difficult profession in countries practicing intensive cultivation (and, economically speaking, we mean nothing more by intensive cultivation than the concentration of capital upon the same plot rather than its distribution among several adjoining pieces of land). [. . .]

In the study of differential rent II, the following points are still to be emphasized.

First, its basis and point of departure, not just historically, but also in so far as concerns its movements at any given period of time, is differential rent I, that is, the simultaneous cultivation side by side of soils of differing fertility and location; . . .
Historically this is self-evident. In the colonies, colonists have but little capital to invest; the principal production agents are labour and land. Every individual head of family seeks for himself and his kin an independent field of employment alongside his fellow colonists. This must generally be the case in agriculture proper even under pre-capitalist modes of production. In the case of sheep herding and cattle raising, in general, as independent lines of production, exploitation of the soil is more or less common and extensive from the very outset. The capitalist mode of production has for its point of departure former modes of production in which the means of production were, formally or legally, the property of the tiller himself, in a word, from a handicraft-like pursuit of agriculture. It is in the nature of things that the latter gives way but gradually to the concentration of means of production and their transformation into capital, as against direct producers transformed into wage-labourers. In so far as the capitalist mode of production is manifested here typically, it occurs at first particularly in sheep-herding and cattle raising. But it is thus not manifested in concentration of capital upon a relatively small area of land, but in production on a larger scale, economizing in the expense of keeping horses, and in other production costs; but, in fact, not by investing more capital in the same land. [. . .] So long as the tilled area is small in comparison with the untitled, and so long as the soil strength has not been exhausted, . . . the new developing mode of production is opposed to peasant production mainly in the extensiveness of the land being tilled for a capitalist, in other words, again in the extensive application of capital to larger areas of land. It should therefore be remembered from the outset that differential rent I is the historical basis which serve as a point of departure. [. . .]

Secondly, in the differential rent in form II, the differences in distribution of capital (and ability to obtain credit) among tenants are added to the differences in fertility. In manufacturing proper,
each line of business rapidly develops its own minimum volume of business and a corresponding minimum of capital, below which no individual business can be conducted successfully. [...] The capitalist mode of production spreads in agriculture but slowly and unevenly, as may be observed in England, the classic land of the capitalist mode of production in agriculture. In so far as the free importation of grain does not exist, or its effect is but limited because the volume is small, producers working inferior soil, and thus under worse than average conditions of production, determine the market-price. A large portion of the total mass of capital invested in husbandry, and in general available to it, is in their hands. [...] This circumstance enables the actual capitalist tenants to appropriate a portion of the surplus-profit—a fact which would not obtain, at least so far as this point is concerned, if the capitalist mode of production were as evenly developed in agriculture as in manufacture.

In the analysis of differential rent we proceeded from the assumption that the worst soil does not pay any ground-rent; or, to put it more generally, only such land pays ground-rent whose product has an individual price of production below the price of production regulating the market, so that in this manner a surplus-profit arises which is transformed into rent. [...] 

If we now were to inquire more deeply into the basis of the assumption that the product of the worst soil A does not yield any rent, the answer would of necessity be as follows: If the market-price of the agricultural product, say grain, attains that level where an additional investment of capital in soil A results in the usual price of production, i.e., the usual average profit on the capital is yielded, then this condition suffices for investing the additional capital in soil A. In other words, this condition is sufficient for the capitalist to invest new capital yielding the usual profit and to employ it in the normal manner. [...] 

But from the premise that the capitalist farmer can now invest capital in soil A under average conditions for the expansion of capital, even if he did not have to pay any rent, it nowise follows that this land, belonging to category A, is now at the disposal of the farmer without further ado. The fact that the tenant farmer could realize the usual profit on his capital did he not have to pay any rent, is by no means a basis for the landlord to lend his land gratis to the farmer and to become so philanthropic as to grant credit gratuit for the sake of a business friendship. Such an assumption would mean the abstraction of landed property, the elimination of land ownership, and it is precisely the existence of the latter that constitutes a limitation to the investment of capital and the free expansion of capital in the land. This limitation does
not at all disappear before the simple reflection of the farmer that the level of grain prices would enable him to realize the usual profit from the investment of his capital in the exploitation of soil A did he not have to pay any rent; in other words, if he could proceed in effect as though landed property did not exist. But differential rent presupposes the existence of a monopoly in landownership, landed property as a limitation to capital, for without it surplus-profit would not be transformed to ground-rent nor fall to the share of the landlord instead of the farmer. And landed property as a limitation continues to exist even when rent in the form of differential rent disappears, i.e., on soil A. If we consider the cases in a country with capitalist production, where the investment of capital in the land can take place without payment of rent, we shall find that they are all based on a de facto abolition of landed property, if not also on the legal abolition; this, however, can only take place under very specific circumstances which are by their very nature accidental.

First: When the landlord is himself a capitalist, or the capitalist is himself a landlord. In this case he may himself manage his land as soon as market-price has risen sufficiently to enable him to get, from what is now soil A, the price of production, that is, replacement of capital plus average profit. But why? Because for him landed property does not constitute an obstacle to the investment of capital. He can treat his land simply as an element of Nature and therefore be guided solely by considerations of expansion of his capital, by capitalist considerations. Such cases occur in practice, but only as exceptions. [...]

Secondly: In the total areas of a leasehold there may be certain portions which do not yield any rent at the existing level of market-prices, so that they are in fact loaned gratis; but the landlord does not look upon it in that light, because he sees the total rental of the leased land, not the specific rent of the individual component plots. In this case, as regards the rentless component plots of the
LEASEHOLD, LANDED PROPERTY AS A LIMITATION TO THE INVESTMENT OF CAPITAL IS ELIMINATED FOR THE CAPITALIST FARMER; AND THIS, INDEED, BY CONTRACT WITH THE LANDLORD HIMSELF. BUT HE DOES NOT PAY RENT FOR THESE PLOTS MERELY BECAUSE HE PAYS RENT FOR THE LAND ASSOCIATED WITH THEM. [...] BUT THE CASE TO BE INVESTIGATED IS PRECISELY THAT IN WHICH CERTAIN PIECES OF LAND OF SOIL TYPE A MUST BE INDEPENDENTLY MANAGED, I.E., FOR THE CONDITIONS GENERALLY PREVAILING UNDER THE CAPITALIST MODE OF PRODUCTION, THEY MUST BE INDEPENDENTLY LEASED. [...] 

THIRDLY: A FARMER MAY INVEST ADDITIONAL CAPITAL IN THE SAME LEASEHOLD EVEN IF THE ADDITIONAL PRODUCT SECURED IN THIS MANNER YIELD HIM ONLY THE PRICE OF PRODUCTION AT THE PREVAILING MARKET PRICES, I.E., PROVIDES HIM WITH THE USUAL PROFIT BUT DOES NOT ENABLE HIM TO PAY ANY ADDITIONAL RENT. HE THUS PAYS GROUND-RENT WITH ONE PORTION OF THE CAPITAL INVESTED IN THE LAND BUT NOT WITH THE OTHER. HOW LITTLE THIS ASSUMPTION HELPS TO SOLVE THE PROBLEM, HOWEVER, IS SEEN FROM THE FOLLOWING: IF THE MARKET-PRICE ... ENABLES HIM TO OBTAIN AN ADDITIONAL YIELD WITH HIS ADDITIONAL CAPITAL, WHICH, AS IN THE CASE OF THE OLD CAPITAL, YIELDS A SURPLUS-PROFIT IN ADDITION TO THE PRICE OF PRODUCTION, HE IS ABLE TO POCKET THIS SURPLUS-PROFIT SO LONG AS HIS LEASE DOES NOT EXPIRE. BUT WHY? BECAUSE THE LIMITATION PLACED BY LANDED PROPERTY ON THE INVESTMENT OF HIS CAPITAL IN THE LAND HAS BEEN ELIMINATED FOR THE DURATION OF THE LEASE. BUT THE SIMPLE FACT THAT ADDITIONAL SOIL OF POORER QUALITY MUST BE INDEPENDENTLY CLEARED AND INDEPENDENTLY LEASED IN ORDER FOR HIM TO SECURE THIS SURPLUS-PROFIT PROVES IRREFUTABLY THAT THE INVESTMENT OF ADDITIONAL CAPITAL IN THE OLD SOIL NO LONGER SUFFICES TO PRODUCE THE REQUIRED INCREASED SUPPLY. ONE ASSUMPTION EXCLUDES THE OTHER. [...] 

BUT ALL THIS DUBIOUS SUBTERFUGE DOES NOT SOLVE THE PROBLEM, WHICH, SIMPLY STATED, IS THIS: ASSUME THE MARKET-PRICE OF GRAIN ... TO BE SUFFICIENT TO PERMIT TAKING OF PORTIONS OF SOIL A UNDER CULTIVATION AND THAT THE CAPITAL INVESTED IN THESE NEW FIELDS COULD RETURN THE PRICE OF PRODUCTION, I.E., REPLACE CAPITAL PLUS AVERAGE
profit. Thus assume that conditions exist for normal expansion of capital on soil A. Is this sufficient? Can this capital then really be invested? Or must the market-price rise to the point where even the worst soil A yields rent? In other words, does the landowner's monopoly hinder the investment of capital which would not be the case from a purely capitalist standpoint in the absence of this monopoly? [. . .]

Differential rent has the peculiarity that landed property here merely intercepts the surplus-profit which would otherwise flow into the pocket of the farmer, and which the latter may actually pocket under certain circumstances during the period of his lease. Landed property is here merely the cause for transferring a portion of the commodity-price which arises without the property having anything to do with it (indeed, in consequence of the fact that the price of production which regulates the market-price is determined by competition) and which resolves itself into surplus-profit—the cause for transferring this portion of the price from one person to another, from the capitalist to the landlord. But landed property is not the cause which creates this portion of the price, or the rise of price upon which this portion of the price is premised. On the other hand, if the worst soil A cannot be cultivated—although its cultivation would yield the price of production—until it produces something in excess of this price of production, rent, then landed property is the creative cause of this rise in price. Landed property itself has created rent. [. . .]

The mere legal ownership of land does not create any ground-rent for the owner. But it does, indeed, give him the power to withdraw his land from exploitation until economic conditions permit him to utilize it in such a manner as to yield him a surplus, be it used for actual agricultural or for other production purposes, such as buildings, etc. He cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market. Hence, as Fourier observed, it is a
characteristic fact that in all civilized countries a comparatively appreciable portion of the land always remains uncultivated.

Thus, assuming the demand requires 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 for 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 this land? By no means. The investment of capital must yield him rent. He does not lease his land until he can be paid lease money for it. Therefore, the market-price must rise to a point above the price of production, i.e., to $P+r$, so that rent can be paid to the landlord. Since according to our assumption, landed property does not yield anything until it is leased, is economically valueless until then, a small rise in market-price above the price of production suffices to bring the new land of the poorest quality on the market.

The following question now arises: Does it follow from the fact that the worst soil yields ground-rent which cannot be derived from any difference in fertility that the price of the product of the land is necessarily a monopoly price in the usual sense, or a price into which rent enters like a tax, with the sole distinction that the landlord levies the tax instead of the state? It goes without saying that this tax has its own specific limits. It is limited by additional investments of capital in the old leaseholds, by competition from products of the land coming from abroad—assuming their import is unrestricted—by competition among the landlords themselves, and finally by the needs of the consumers and their ability to pay. But this is not the question here. The point is whether the rent paid on the worst soil enters into the price of the products of this soil—which price regulates the general market-price according to our assumption—in the same way as a tax placed on a commodity enters into its price, i.e., as an element which is independent of the value of the commodity.
This, by no means, necessarily follows, and the contention
that it does has been made only because the distinction between
the value of commodities and their price of production has
heretofore not been understood. We have seen that the price of
production of a commodity is not at all identical with its value,
although the prices of production of commodities, considered in
their totality, are regulated by their total value, and although the
movement of production prices of various kinds of commodities,
all other circumstances being equal, is determined exclusively by
the movement of their values. It has been shown that the price of
production of a commodity may lie above or below its value, and
coincides with its value only by way of exception. Hence, the fact
that products of the land are sold above their price of production
does not at all prove that they are sold above their value; just as
the facts that the products of industry, on the average, are sold at
their prices of production does not prove that they are sold at
their value. It is possible for agricultural products to be sold above
their price of production and below their value, while, on the
other hand, many industrial products yield the price of production
only because they are sold above their value.

The relation of the price of production of a commodity to its
value is determined solely by the ratio of the variable part of the
capital with which the commodity is produced to its constant
part, or by the organic composition of the capital producing it. If
the composition of capital in a given sphere of production is lower
than that of the average social capital, i.e., if its variable portion,
which is used for wages, is larger in relation to the constant portion,
used for the material conditions of labour, than is the case in the
average social capital, then the value of its product must lie above
the price of production. In other words, because such capital
employs more living labour, it produces more surplus-value, and
therefore more profit, assuming equal exploitation of labour, than
an equally large aliquot portion of the social average capital. The
value of its product, therefore, is above the price of production, since this price of production is equal to capital replacement plus average profit, and the average profit is lower than the profit produced in this commodity. The surplus-value produced by the average social capital is less than the surplus-value produced by a capital of this lower composition. The opposite is the case when the capital invested in a certain sphere of production is of a higher composition than the social average capital. The value of the commodities produced by it lies below their price of production, which is generally the case with the products of the most developed industries.

If the capital in a certain sphere of production is of a lower composition than the average social capital, then this is, in the first place, merely another way of saying that the productivity of the social labour in this particular sphere of production is below the average; for the level of productivity attained is manifested in the relative preponderance of constant over variable capital, or in the continual decrease—for the given capital—of the portion used for wages. On the other hand, if the capital in a certain sphere of production is of a higher composition, then this reflects a development of productiveness that is above the average.

Leaving aside actual works of art, whose consideration by their very nature is excluded from our discussion, it is self-evident, moreover, that different spheres of production require different proportions of constant and variable capital in accordance with their specific technical features, and that living labour must play a bigger role in some, and smaller in others. [. . .]

If the composition of capital in agriculture is lower than that of average social capital, then, \textit{prima facie}, this expresses the fact that in countries with developed production agriculture has not progressed to the same extent as the processing industries. . . . In other words, a capital of a certain size in agriculture produces more surplus-value, or what amounts to the same, sets in motion
and commands more surplus-labour (and with it employs more living labour generally) than a capital of the same size of average social composition. [. . .]

However, the mere existence of an excess in the value of agricultural products over their prices of production would not in itself suffice to explain the existence of a ground-rent which is independent of differences in fertility of various soil types and in successive investments of capital on the same land—a rent, in short, which is to be clearly distinguished in concept from differential rent and which we may therefore call absolute rent. Quite a number of manufactured products are characterized by the fact that their value is higher than their price of production, without thereby yielding any excess above the average profit, or a surplus-profit, which could be converted into rent. Conversely, the existence and concept of price of production and general rate of profit, which it implies, rests upon the fact that individual commodities are not sold at their value. Prices of production arise from an equalization of the values of commodities. [. . .] It is the perpetual tendency of capitals to bring about through competition this equalization in the distribution of the surplus-value produced by the total capital, and to overcome all obstacles to this equalization. Hence it is their tendency to tolerate only such surplus-profits as arise, under all circumstances, not from the difference between the values and prices of commodities, but rather from the difference between the general price of production governing the market and the individual prices of production differing from it; surplus-profits which obtain within a certain sphere of production, therefore, and not between two different spheres, and thus do not affect the general prices of production of the various spheres, i.e., the general rate of profit, but rather presupposes the transformation of values into prices of production and a general rate of profit. This supposition rests . . . upon the perpetual inflow and outflow of capitals, upon their transferability from one sphere to another, in
short, upon their free movement between the various spheres of production, which represent so many available fields of investment for the independent components of the total social capital. The premise in this case is that no barrier, or just an accidental and temporary barrier, interferes with the competition of capitals [. . .] . But if the reverse occurs, 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 their price 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 by landed property, when confronting capital in its endeavour to invest in land; such a force is the landlord vis-a-vis the capitalist.

Landed property is here the barrier which does not permit any new investment of capital in hitherto uncultivated or unrented land without levying a tax, or in other words, without demanding a rent, although the land to be newly brought under cultivation may belong to a category which does not yield any differential rent and which, were it not for landed property, could have been cultivated even at a small increase in market-price, so that the regulating market-price would have netted to the cultivator of this worst soil solely his price of production. 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 [. . .]

Absolute rent explains some phenomena, which, at first sight, seem to make merely a monopoly price responsible for the rent. To go on with Adam Smith’s example, take the owner of some Norwegian forest, for instance, which exists independently of
human activity, i.e., it is not a product of silviculture. If the proprietor of this forest receives a rent from a capitalist who has the timber felled, perhaps in consequence of a demand from England, or if this owner has the timber felled for himself acting in the capacity of capitalist, then a greater or smaller amount of rent will accrue to him in timber, apart from the profit on invested capital. This appears to be a pure monopoly charge derived from a pure product of Nature. But, as a matter of fact, the capital here consists almost exclusively of a variable component expended in labour, and thus sets more surplus-value in motion than another capital of the same size. The value of the timber, then, contains a greater surplus of unpaid labour, or of surplus-value, than that of a product of a capital of a higher organic composition. For this reason the average profit can be derived from this timber, and a considerable surplus in the form of rent can fall to the share of the owner of the forest. [. . .]

Wherever rent exists at all, differential rent appears at all times, and is governed by the same laws, as agricultural rent. [...] This rent is distinguished, in the first place, by the preponderant influence exerted here by location upon differential rent (very significant, e.g., in vineyards and building sites in large cities); secondly, by the palpable and complete passiveness of the owner, whose sole activity consists (especially in mines) in exploiting the progress of social development, toward which he contributes nothing and for which he risks nothing, unlike the industrial capitalist; and finally by the prevalence of monopoly prices in many cases, particularly through the most shameless exploitation of poverty (for poverty is more lucrative for house rent than the mines of Potosi ever were for Spain¹), and the monstrous power wielded by landed property, when united hand in hand with industrial capital, enables it to be used against labourers engaged in their wage struggle as a means of practically expelling them from the earth as a dwelling place.² One part of society thus exacts tribute from another for the permission to inhabit the earth, as landed property in general assigns the landlord the privilege of exploiting the terrestrial body, the bowels of the earth, the air, and thereby the maintenance and development of life. Not only the population increase and with it the growing demand for shelter, but also the development of fixed capital, which is either

¹ Laing [National Distress; its Causes and Remedies, London, 1844.—Ed.].
Building Site Rent. Rent in Mining. Price of Land

incorporated in land, or takes root in it and is based upon it, such as all industrial buildings, railways, warehouses, factory buildings, docks, etc., necessarily increase the building rent. A confusion of house-rent, in so far as it constitutes interest and amortisation on capital invested in a house, and rent for the mere land, is not possible in this case, . . . particularly when the landlord and building speculator are different persons, as is true in England. Two elements should be considered here: on the one hand, the exploitation of the earth for the purpose of reproduction or extraction; on the other hand, the space required as an element of all production and all human activity. And property in land demands its tribute in both senses. The demand for building sites raises the demand for land as space and foundation, while thereby the demand for elements of the terrestrial body serving as building material grows simultaneously.3 [...] Mining rent proper is determined in the same way as agricultural rent. "There are some mines, of which the produce is barely sufficient to pay the labour and replace, together with some ordinary profits, the stock employed in working them. [ . . . ]" (Adam Smith, Book I, Ch. XI, 2.)


3 "The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before." Adam Smith [An Inquiry into the Nature and Causes of the Wealth of Nations], Book I, Chapter XI, 2.
Ricardo’s Denial of Absolute Rent—a Result of his Error in the Theory of Value

[...]

Ricardo abstracts from the question of absolute rent which he denies on theoretical grounds because he starts out from the false assumption that if the value of commodities is determined by labour-time, the average prices of commodities must equal their values (which is why he comes to the wrong practical conclusion, that competition from more fertile types of land must throw the less fertile out of cultivation, even if they bore rent previously). If values of commodities and average prices of commodities were identical, then absolute rent—i.e., rent on the worst cultivated land or on that originally cultivated—would be equally impossible. What is the average price of the commodity? The total capital (constant plus variable) laid out in its production plus the labour-time contained in the average profit, say 10 per cent. Supposing, that a capital produced a higher value than the average price, just because it was operating in a particular element, an element of nature, say land, then the value of this commodity would be above its value and this excess value would contradict the conception of value being equal to a certain quantity of labour-time. An element of nature, something heterogeneous from social labour-time would be creating value. But this cannot be. Hence capital invested in land pure and simple cannot bear a rent. 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 labour 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. To admit the existence of absolute rent would be to admit that the same quantity of labour (materialized, laid out in constant capital and bought with wages) creates varying values according to the element in which the labour is expended or according to the material which it works up. But if one admits this diversity in value although in each sphere of production the same amount of labour-time materializes itself in the product, then one admits that value is not determined by labour-time but by something heterogeneous. These different magnitudes of value would invalidate the concept of value, they would invalidate the proposition that the substance of value is social labour-time, hence its differences can only be quantitative and these quantitative differences can only be equal to the differences in the amounts of social labour-time applied.

The maintenance of value—the determination not only of the amount of value by the varying amount of labour time, but also of the substance of the value by social labour—thus requires the denial of absolute rent. The denial of absolute rent can, however, be expressed in two ways.

**Firstly.** The worst land cannot bear a rent. The rent from the better types of land can be explained as arising from the market-price which is the same for products which have been produced on more favourable types of land as for those which have been produced on less favourable. But the worst land is land pure and simple. It is not differentiated in itself. It differs from industrial capital investment only in that it is a special sphere of capital investment. If it bore a rent then this would arise from the fact that the same quantity of labour would produce different values, if applied in different spheres of production; this means that the quantity of labour in itself does not determine the value, and
products which contain the same amount of labour are not equal (in terms of value).

[Secondly.] Or one might say that the land which was cultivated originally must not bear rent. For what is the originally cultivated land? The land which is “originally” cultivated is neither better nor worse land; it is land pure and simple. Undifferentiated land. Originally, capital investment in agriculture can only differ from investment in industry because of the spheres in which these capitals are invested. But since equal quantities of labour are represented in equal values, there is absolutely no reason why the capital invested in land should yield a rent in addition to profit, unless the same quantity of labour applied in this sphere produced a higher value, so that the excess of this value over the value yielded in manufacture would produce an excess profit, equal to rent. But this would amount to saying that the land as such creates value, thus invalidating the concept of value itself.

The land which is cultivated originally therefore cannot originally bear a rent, if the whole theory of value is not to be discarded. Furthermore, this ties up very easily, (although not necessarily, as Anderson shows) with the idea that originally people of course chose not the worst but rather the best land for cultivation. With the advance of civilization and population, the land which originally bears no rent, does so at a later stage, because people are forced to descend to worse types of land and thus in this descent to Avernus, to ever worse land, rent must arise on the originally cultivated, most fertile land. And then, step by step, on the land which follows it, while the worst land which always represents simply land—the particular sphere of capital investment—never bears a rent. All this has a more or less logical coherence.

If, on the other hand, one knows that averages prices and values are not identical, that the average price of a commodity may be either equal to its value or bigger or smaller, then the
question, the problem itself, disappears and with it also the hypotheses for its solution. [. . .]

Ricardo knows of course that the "relative values" of commodities are modified according to the varying proportion of fixed capital and capital laid out in wages, which enter into their production. (But these are not opposites; fixed capital and circulating capital are opposites, and circulating capital comprises not only wages but also raw materials and auxiliary materials. For example, the same ratio may exist between capital laid out in wages and fixed capital in the mining and fishing industries, as between that laid out in wages and raw materials in tailoring). But Ricardo also knows that these relative values are equalized by competition. In fact, he only makes the differentiation, so that the same average profit should result from these different capital investments. In other words these relative values of which he speaks are only the *average* prices. It does not even occur to him that *value* and *average price* are different. He only gets as far as their *identity*. Since however this identity *does not exist* when the ratio of the organic component parts of capital varies, he accepts it as an unexplained fact brought about by competition. Hence too, he does not come up against the question: Why do the values of agricultural products not equalize in average prices? On the contrary he assumes that they do so and poses the problem from that point of view.

It is quite incomprehensible why fellows a la Wilhelm Thukydides should be so ardently for Ricardo’s theory of rent. From *their* point of view, Ricardo’s "half-truths", as Thukydides condescendingly calls them, lose their *whole* value.

For Ricardo the problem only exists because value is determined by labour time. With those fellows this is not the case. According to Roscher, nature *as such* has value. [. . .] In other words, he has absolutely no idea what value is. What prevents him therefore from allowing the *value of land* to enter into production
costs from the outset and to form the rent; what prevents him presupposing the value of land, i.e., rent, as an explanation for rent?

With these fellows, the phrase "production costs" is meaningless. We see this with Say. The value of the commodity is determined by the costs of production, capital, land, labour. But these are determined by demand and supply. In other words, no determination is taking place. Since the land performs "productive services", why should not the price of these "services" be determined by demand and supply, just as the services performed by labour or capital? And since the "land services" are in the possession of certain sellers, why should their article not have a market-price, in other words why should not rent exist as an element of price? [. . .]

The Inadequacy of the Ricardian Definition of Rent

I have already indicated that Ricardo opens the chapter by stating that it is necessary to examine "whether the appropriation of land, and the consequent creation of rent" (David Ricardo, *Principles of Political Economy and Taxation*, Third edition, London, 1821, p. 53) do not interfere with the determination of value by labour-time. And he says later:

"Adam Smith ... cannot be correct in supposing that the original rule which governed the exchangeable value of commodities, namely, the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payment of rent" (l.c., p. 67).

This direct and conscious connection which Ricardo's theory of rent has with the determination of value is its theoretical merit. Apart from that this Chapter II "On Rent" is rather inferior to West's exposition. It contains much that is queer, petitio principii and unfair in dealing with the problem.

Actual agricultural rent, which Ricardo justifiably here treats as rent proper, is that which is paid for the permission to invest capital, to produce capitalistically, in the element land. Here land is the element of production. This does not apply, for example, to rent for buildings, waterfalls etc. The powers of nature which are paid for in these cases enter into production as a condition, be it as productive power or as sine qua non, but they are not the element in which this particular branch of production is carried on. Again, in rents for mines, coal mines etc., the earth is the reservoir, from
whose bowels the use-values are to be torn. In this case payment is made for the land, not because it is the element in which production is to take place, as in agriculture, not because it enters into production as one of the conditions of production, as in the case of the waterfall or the building site, but because it is a reservoir containing the use-values, which are to be got hold of through industry.

Ricardo's explanation that:

"Rent is that part of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil" (l.c., p. 53)

is poor. Firstly, the soil has no "indestructible powers". (A note on this is to follow at the end of the chapter.) Secondly it has no "original powers" either, since the land is in no way "original", but rather the product of an historical and natural process. But let that pass. By "original" powers of the land we understand here those, which it possesses independently of the action of human industry, although, on the other hand, the powers given to it by human industry, become just as much its original powers, as those given to it by the process of nature. Apart from this, it is correct to say that rent is a payment for the use of natural things, irrespective of whether it is for the use of the "original powers" of the soil or of the power of the waterfall or of land for building or of the treasures to be found in the water or in the bowels of the earth.

As distinct from the agricultural rent proper, Adam Smith (says Ricardo) speaks of the rent paid for wood from virgin forests, rent of coal mines and stone quarries. The way in which Ricardo disposes of this is rather strange.

He begins by saying that the rent of land must not be confused with the interest and profit of capital (l.c., p. 53), that is:
"capital [. . .] employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce" (l.c., p. 54).

From this he immediately (passes on) to the above-mentioned examples from Adam Smith. With regard to virgin forests:

"Is it not, however, evident that the person who paid what he [Adam Smith] calls rent, paid it in consideration of the valuable commodity which was then standing on the land, and that he actually repaid himself with a profit, by the sale of the timber?" (l.c. p. 54).

Similarly with the stone quarries and coal mines.

"The compensation [. . .] for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land. This is a distinction of great importance, in an enquiry concerning rents and profits; for it is found, that the laws which regulate the progress of rent, are widely different from those that regulate the progress of profits, and seldom operate in the same direction" (l.c., pp. 54–55).

This is very strange logic. One must distinguish rent paid to the owner of the land for the use of the "original and indestructible powers of the soil" from the interest and profit which is paid to him for the capital he has invested in ameliorating the land, etc. The "compensation" which is paid to the owner of naturally-grown forests for the right to "remove" wood, or to the owner of stone quarries and coal mines for the right to remove stones and coal, is not rent, because it is not a payment for the "use of the original and indestructible powers of the soil". Very well. But Ricardo
argues as though this "compensation" were the same as profit and interest which are paid for capital invested in ameliorations of the land. But this is wrong. Has the owner of a "virgin forest" invested "capital" in it so that it may bear "wood" or has the owner of stone-quarries and coal mines invested "capital" in these, so that they may contain "stones" and "coal"? Whence, therefore, his "compensation"? It is by no means—as Ricardo tries to make out—profit or interest of capital. Therefore it is "rent" and nothing else, even if it is not "rent" as defined by Ricardo. But this only shows that his definition of rent excludes those forms of it where the "compensation" is paid for mere natural things, in which no human labour is embodied, and where it is paid to the owner of these natural things only because he is the "owner", the owner of land, whether this consists of soil, forest, fish pond, waterfall, building land or anything else. But, says Ricardo, the man who paid for the right to fell trees in the forest, paid "in consideration of the valuable commodity which was then standing on the land and [..] actually repaid himself with a profit, by the sale of the timber" (p. 54). Stop! When Ricardo here calls the wood, i.e., the trees "standing on the land" in the virgin forest "a valuable commodity", then this means only that it is potentially a use-value. And this use-value is expressed here in the word "valuable". But it is not a "commodity". Because for this it would, at the same time, have to be exchange-value, in other words, to contain a certain quantity of labour expended upon it. It only becomes a commodity by being separated from the virgin forest, by being felled, removed and transported—by being transformed from wood into timber. Or does it only become a commodity by the fact it is sold? Then arable land too becomes a commodity by the fact it is sold? Then we would have to say: Rent is the price paid to the owner of natural forces or mere products of nature for the right of using these forces or appropriating (by labour) those products. This is in fact the form in which all rent appears originally. But then the question
remains to be solved, how things which have no value can have a price and how this is compatible with the general theory of value. The question: for what purpose does the man pay “a compensation” for the right to remove timber from the land upon which it stands, has nothing to do with the real question. The question is: from what fund does he pay? Well, says Ricardo, “by the sale of the timber”. That is, out of the price of the timber. And furthermore, this price was such that, as Ricardo says, the man “actually repaid himself with a profit”. Now we know where we are. The price of the timber must at any rate equal the sum of money representing the quantity of labour necessary to fell the timber, to remove it, to transport it, to bring it to market. Now is the profit with which the man “repays” himself, an addition over and above this value, this exchange value just imparted to the wood through the labour expended upon it? If Ricardo said this he would fall into the crudest conception, far beneath his own doctrine. No. Given that the man was a capitalist, the profit is part of the labour he employed in the production of the “timber”, the part for which he did not pay; and the man would have made the same profit, if he had set in motion the same amount of labour, shall we say, in cotton spinning. (If the man is not a capitalist, then the profit is equal to that quantity of his labour which he exerts beyond that which is necessary to cover his wages, and which would have constituted the profit of the capitalist, had a capitalist employed him, but which now constitutes his own profit because he is his own wage-labourer and his own capitalist in one and the same person). But here we come to the ugly word that this timber man “actually repaid himself with a profit”. This gives the whole transaction a very ordinary look and corresponds to the crude manner of thinking which this capitalist, who removes timber, may himself have of the source of this profit. First he pays the owner of the virgin forest for the use-value wood, which, however, has no “value” (value in exchange) and which, so long as it “stands upon the land” has not even a use-value. He may pay
him £5 a ton. And then he sells the same wood to the public (setting aside his other costs) at £6 and so actually pays back to himself the £5 with a profit of 20 per cent. [He] “actually repaid himself with a profit”. If the owner of the forest had only demanded “compensation” of £2 (40s.), then the timber man would have sold the ton at £2 8s. instead of (£)6. Since he always adds the same rate of profit, the price of timber would be high or low here because the rent is high or low. The latter would enter into the price as a constituent part but would in no way be the result of the price. Whether the “rent”—compensation—is paid to the owner of the land for the use of the “power” of the land or for the “use” of the “natural products” of the land, in no way alters the economic relations, in no way alters the fact that money is paid for “a natural thing” . . . upon which no previous human labour has been spent. And thus on the second page of his chapter “On Rent” Ricardo would have overthrown his whole theory in order to avoid a difficulty. It would appear that Adam Smith was a great deal more far-sighted here.

The same case with the stone-quarries and coal mines.

“The compensation given for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land” (l.c., pp. 54–55).

No! But there is a very significant connection with the “original and destructible productions of the soil”. The word “value” is just as ugly here as the phrase “repaid himself with a profit” was above.

Ricardo never uses the word value for utility or usefulness or “value in use”. Does he therefore mean to say that the compensation is paid to the owner of the quarries and coal-mines for the “value” the coal and stone have before they are removed from the quarry and the mine—in their original state? Then he
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invalidates his entire doctrine of value. Or does value mean here, as it must do, the possible use-value and hence also the prospective exchange-value of coal and stones? Then it means nothing but that their owner is paid rent for the permission to use the “original composition of the soil” for the production of coal and stones. And it is absolutely incomprehensible why this should not be called “rent” in the same way as if the permission were given to use the “powers” of the land for the production of wheat. Or we end up again with the annulment of the whole theory of rent, as explained in connection with wood. According to the correct theory, there are no difficulties involved here at all. The labour, or capital, used in the “production” (not reproduction) of wood, coal or stone (this labour, it is true, does not create these natural products, but separates them from their elementary connection with the earth and so “produces” them as usable wood, coal or stone) evidently belongs to those spheres of production in which a part of the capital laid out in wages is greater than that laid out in constant capital, [where consequently the amount of] direct labour is greater than that of “past” labour the result of which serves as a means of production. If, therefore, the commodity is sold at its value here, then this value will be above its cost-price, i.e., the wear and tear of the instruments of labour, the wages, and the average profit. The excess can thus be paid as rent to the owner of forest, quarry or coal mine.

But why these clumsy manoeuvres of Ricardo's, such as the wrong use of value etc.? Why this clinging to the explanation of rent as a payment for the use of the “original and indestructible powers of the land”? Perhaps the answer will emerge later. [. . .]

Ricardo’s Criticism of Adam Smith’s and Malthus’s Views on Rent

*Chapter XXIV “Doctrine of Adam Smith concerning the Rent of Land.”*

This chapter is of great importance for the difference between Ricardo and Adam Smith. We shall postpone a fuller discussion of this (in so far as it affects Adam Smith), to when we consider *ex professo* Adam Smith’s doctrine after that of Ricardo.

Ricardo begins by quoting a passage from Adam Smith showing that he correctly determined when the price of the agricultural product yields rent and when it does not. But on the other hand Smith thought that some parts of the produce of the land, such as food, must always yield a rent.

In this context Ricardo says the following, which is significant for him:

“I believe that as yet in every country, from the rudest to the most refined, there is land of such a quality that it cannot yield a produce more than sufficiently valuable to replace the stock employed upon it, together with the profits ordinary and usual in that country. In America we all know that is the case, and yet no one maintains that the principles which regulate rent, are different in that country and in Europe” (I.e., pp. 389–90).

Indeed, these principles are substantially “different”. When
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no landed property exists—actual or legal—no absolute rent can exist. It is absolute rent, not differential rent, which is the adequate expression of landed property. To say that the same principles regulate rent, where landed property exists and where it does not exist, means that the economic form of landed property is independent of whether landed property exists or not. [ . . . ]

"[ . . . ] If a farmer agrees for land on a lease of seven or fourteen years, he may propose to employ on it a capital of £10,000, knowing that at the existing price of grain and raw produce, he can replace that part of his stock which he is obliged to expend, pay his rent, and obtain the general rate of profit. He will not employ £11,000, unless the last £1,000 can be employed so productively as to afford him the usual profits of stock. In his calculation, whether he shall employ it or not, he considers only whether the price of raw produce is sufficient to replace his expenses and profits, for he knows that he shall have no additional rent to pay. Even at the expiration of his lease the rent will not be raised; for if his landlord should require rent, because this additional £1,000 was employed, he would withdraw it; since, by employing it, he gets, by the supposition, only the ordinary and usual profits which he may obtain by any other employment of stock; and therefore, he cannot afford to pay rent for it, unless the price of the raw produce should further rise, or, which is the same thing, unless the usual and general rate of profit should fall" (I.c., pp. 390–91).

Ricardo admits here that also the worst land can bear a rent. How does he explain this? To provide the additional supply which has become necessary in consequence of an additional demand, a second amount of capital is employed on the worst land. This will only yield the cost-price if the price of grain is rising. Hence the first amount [of capital] would now yield a surplus—that is rent—
over and above this cost-price. In fact therefore before the second amount is invested the first amount of capital yields a rent on the worst land, because the market value is above the cost price. [...]

Ricardo says that when a farmer takes land on a lease of seven or fourteen years, he calculates that with a capital investment of, say, £10,000, the value of the corn (average market value) permits him to replace his outlay plus average profit, plus the contracted rent. In so far as he takes a “lease” of a piece of land, therefore, his first consideration is the average market-value, which is equivalent to the value of the product; profit and rents are only parts into which this value is resolved, but they do not constitute it. The existing market-price is for the capitalist what the presupposed value of the product is for the theory and the inner relationships of production. Now to the conclusion which Ricardo draws from this. If the farmer adds another £1,000, he only considers whether, at the given market-price, it yields him the usual profit. Ricardo therefore seems to think that the cost-price is the determining factor and that profit enters into this cost price as a regulating element, but rent does not.

Firstly, profit too does not enter into it as a constituent element. For, according to the assumption, the farmer takes the market-price as his starting point, and weighs up whether, at this given market-price, the £1,000 will yield him the usual profit. This profit is therefore not the cause, but the effect of that price. But—Ricardo continues his train of thought—the investment of the £1,000 itself is determined by the calculation of whether or not the price yields the profit. Thus the profit is the decisive factor for the investment of the £1,000, and for the price of production.

Furthermore: If the capitalist found that the £1000 did not yield the usual profit, he would not invest it. The production of the additional food would not take place. If it were necessary for the additional demand, then the demand would have to raise the price, i.e., the market-price, until it yielded the profit. Thus
In this case, it is correct.

But why?

Because in this case landed property cannot confront capital as landed property, thus the very combination [of circumstances] under which rent, absolute rent, is formed, is not present—according to the assumption. [. . .]

Landed property as an independent opposing element does not exist for the farmer, i.e., the capitalist, during the period in which the lease in fact makes him the landowner of the land which he has rented. Capital moves unimpeded in this element, and capital is satisfied with the cost-price of the product. Even when the lease expires, the farmer will naturally make the amount of rent dependent on how far capital investment in the land will supply a product which can be sold at its value thus yielding a rent. Capital investment which, with the given market-value, yields no excess over the cost-price, no more enters into the calculation than would the payment of rent—or contractual undertaking to pay rent—on land whose relative fertility is so low that the market-price is merely equal to the cost-price [of its product].

In practice matters do not always work out in the Ricardian manner. If the farmer possesses some spare capital or acquires some during the first years of a lease of 14 years, he does not demand the usual profit, unless he has borrowed additional capital. For what is he to do with the spare capital? Conclude a new lease for additional land? Agricultural production favours to a much higher
degree more intensive capital investment, than a more extensive cultivation of land with a larger capital. Moreover, if no land could be leased in the immediate vicinity of the old land, two farms would split up the farmer’s work of superintending them .... Or should he invest the money with the bank, for interest, in government bonds, railway shares, etc.? Then, from the outset, he foregoes at least a half or a third of the usual profit. Hence, if he can invest it as additional capital on the old farm, even below the average rate of profit, say at 10 per cent, if his profit was 12, then, he will still be gaining 100 per cent if the rate of interest is 5 per cent. To invest the additional £1,000 in the old farm is, therefore, still a profitable speculation for him.

Hence it is quite wrong of Ricardo to identify this investment of additional capital with the application of additional capital to new soils. In the first case, the product does not have to yield the usual profit, even in capitalist production. It must only yield as much above the usual rate of interest as will make worthwhile the trouble and risk of the farmer to prefer the industrial employment of his spare capital to its employment as money capital.¹

But the following conclusion which Ricardo draws from this observation is, as has been shown, quite absurd.

“If the comprehensive mind of Adam Smith had been directed to this fact, he would not have maintained that rent forms one of the component parts of the price of raw produce, for price is everywhere regulated by the return obtained by this last portion of capital, for which no rent whatever is paid” (I.e., p. 391).

¹ By “industrial employment” Marx does not here mean investment in industry—for he is explicitly talking of investment in agriculture—but rather the capitalist’s investment in production with the aim of profit, where agriculture is a sphere of investment as industry is. —Ed.
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His illustration proves just the reverse: that the application to land of this last portion of capital has been regulated by a market-price which, independent of that application, existed before it took place—and, therefore, comprises no rent, but only profit. That profit is the only regulator for capitalist production is quite true. And it is therefore true that no absolute rent would exist if production was regulated solely by capital. It arises precisely at the point where the conditions of production enable the landowner to set up barriers against the exclusive regulation of production by capital.

Secondly, Ricardo reproaches Adam Smith (p. 391, et seq.) for developing the correct principles of rent [only] with regard to coal mines; [he] even says:

"The whole principle of rent is here admirably and perspicuously explained, but every word is as applicable to land as it is to mines; yet he affirms that 'it is otherwise in estates above ground . . .'" (I.c., p. 392).

Adam Smith senses that, under certain circumstances, the landlord has the power to offer effective resistance to capital, to bring landed property into play, and thus to demand absolute rent, though, under different circumstances, he does not possess this power; that in particular however the production of food establishes the law of rent, whereas in other applications of capital to land, the rent is determined by the agricultural rent.

"The proportion, both of their produce and of their rent, is in proportion (says Adam Smith) to their absolute, and not to their relative fertility" (l.c., p. 392).

In his reply, Ricardo comes closest to the real principle of rent. He says:
"But, suppose that there were no land which did not afford a rent; then, the amount of rent on the worst land would be in proportion to the excess of the value of the produce above the expenditure of capital and the ordinary profits of stock: the same principle would govern the rent of land of a somewhat better quality, or more favourably situated, and therefore, the rent of this land would exceed the rent of that inferior to it, by the superior advantage which it possessed; the same might be said of that of the third quality, and so on to the very best. Is it not, then, as certain, that it is the relative fertility of the land, which determines the portion of the produce, which shall be paid for the rent of land, as it is that the relative fertility of mines, determines the portion of the produce, which shall be paid for the rent of mines?" (I.e., pp. 392–93).

Here Ricardo formulates the correct principle of rent. If the worst land pays a rent, if therefore rent is paid independently of the different natural fertility of the land—i.e., absolute rent—then this rent must equal "the excess of the value of the produce above the expenditure of capital and the ordinary profits of stock" [I.e., pp. 392–93] that is to say, it must equal the excess of the value of the produce above its cost-price. Ricardo presupposes such an excess cannot exist, because . . . he wrongly accepts the Smithian doctrine that value equals cost-price of the produce.

As for the rest, he again falls into error. [. . .]

For the actual amount of rent paid by the worst land depends not, as Ricardo thinks, upon the excess of the value of its own produce over its cost-price, but the on the excess of the market-value over its cost-price. But these are very different things. If the market price were determined by the product of the worst land, then the market value would be determined by its real value, hence, the excess of its market value over its cost-price would be equal to the excess of its own individual value, its real value, over its cost-
price. But this is not the case if quite irrespective of this product the market-price is determined by the other types of land. Ricardo assumes a descending line. He assumes that the worst land is cultivated last and is only cultivated (in the case postulated), when the additional demand has necessitated an additional supply at the value of produce derived from the worst and last cultivated soil. In this case the value of the worst land regulates the market value. In the ascending line (even according to him) this will only occur when the additional supply of the better sorts of land only equals the additional demand at the old market-value. If the additional supply is greater, Ricardo assumes that the old land will be thrown out of cultivation, but it only follows from this that it will yield a lower rent than before (or no rent at all). The same happens in the descending line. Whether, and to what extent, the worse land yields rent, if the additional supply can only be provided at the old market-value, depends on how much this market-value stands above the cost-price of the product of the new, worse land. In both cases its rent is determined by the absolute fertility, not the relative fertility. It depends on the absolute fertility of the new land how far the market-value of the produce of better lands stands above its own real, individual value.


[Elements of a Historical Interpretation of Rent. Jones's Superiority over Ricardo in Particular Questions of the Theory of Rent and His Mistakes in This Field]

Even this first work on rent is distinguished by what has been lacking in all English economists since Sir James Steuart, namely, a sense of the historical differences in modes of production. [...] He found that the modern economists after Ricardo define rent as surplus profit, a definition which presupposes that the farmer is a capitalist ... who expects average profit on the capital which he invests in this particular sphere, and that agriculture itself has been subordinated to the capitalist mode of production. In short, landed property is conceived only in its modern bourgeois form, that is, in the modified form which it has been given by capital, the dominant relation of production in society. [...] His views on the origin of rent in general are summarized in the following passages:

"The power of the earth to yield, even to the rudest labours of mankind, more than is necessary for the subsistence of the cultivator himself, enables him to pay [...] a tribute, hence the origin of rent." ([Richard Jones, An Essay on the Distribution of Wealth], p.4).

"... rent has usually originated in the appropriation of the soil, at a time when the bulk of the people must cultivate it on such
terms as they can obtain, or starve; and when their scanty capital of implements, seeds, etc., being utterly insufficient to secure their maintenance in any other occupation than that of agriculture, is chained with themselves to the land by an overpowering necessity" (op. cit., p. 11).

Jones traces rent throughout all its changes, from its crudest form, performance of labour services, to modern farmer’s rent. He finds that everywhere a specific form of rent, i.e., of landed property, corresponds to a definite form of labour and of the conditions of labour. Thus, labour rents or serf rents, the change from labour rent to produce rent, metayer rents, ryot1 rents, etc., are examined in turn . . . . In all previous forms, it is the landed proprietor, not the capitalist, who directly appropriates the surplus labour of other people. Rent . . . appears historically (and still on the largest scale among the Asiatic peoples) as the general form of surplus labour, of labour performed without payment in return. The appropriation of this surplus labour is here not mediated by exchange, as is the case in capitalist society, but its basis is the forcible domination of one section of society over the other. (There is, accordingly, direct slavery, serfdom or political dependence.) [...]

In discussing forced labour and the forms of serfdom (or slavery) which correspond to it more or less, Jones unconsciously emphasizes the two forms to which all surplus value (surplus labour) can be reduced. It is characteristic that, in general, real forced labour displays in the most brutal form, most clearly the essential features of wage-labour.

1 Ryot—an Indian peasant. Jones uses this term to describe peasants in India and other Asian States who had to make payment in kind to their sovereign “as sole proprietor of the soil of his dominions”. (See Richard Jones, An Essay on the Distribution of Wealth, London 1831, p.109 et. seq.)
Under these conditions (where there is serf labour) rent can only be increased either by the more skilful and effective utilization of the labour of the tenantry (relative surplus labour), this however is hampered by the inability of the proprietors to advance the science of agriculture, or by the increase in the total quantity of the labour exacted, and in this case, while the lands of the proprietors will be better tilled, those of the serfs, from which the labour has been withdrawn, all the worse.2 (Op. cit., Chapter II).

[. . .] Serf labour (just as slave labour) has this in common with wage-labour, in respect of rent, that the latter is paid in labour not in products, still less in money. [. . .]


[In the introductory lecture, Jones says:]

“... property in the soil almost universally rests, at one time of a people's career, either in the general government, or in persons deriving their interest from it” (p.14).

“... by economical structure of nations, I mean those relations between the different classes which are established in the first instance by the institution of property in the soil, and by the distribution of its surplus produce; afterwards modified and changed (to a greater or lesser extent) by the introduction of

2 Marx is not quoting here but paraphrasing—mainly in German—a paragraph from p. 61 of Jones’s book.—Ed.
capitalists as agents in producing and exchanging wealth, and in feeding and employing the labouring population" (pp. 21–22).

By ‘labour fund’ Jones understands:

“... the aggregate amount of the revenues consumed by the labourers, whatever be the source of those revenues” ([Syllabus,] p. 44).

The main point... in Jones’s work is that the whole economic structure of society revolves around the form of labour, in other words, the form in which the worker appropriates his means of subsistence, or that part of his product upon which he lives. This labour fund has various forms and capital is merely one of them, it is a form which arises rather late in the historical development. It is only in Richard Jones’s work that the important differentiation—between labour that is paid out of capital and labour paid directly out of revenue—made by Adam Smith receives the full elaboration of which it is capable and becomes a major key for understanding the various economic formations of society. [...]

The “Labour Fund”, says Jones, “may be divided [... into three [...] classes.

“1st.—Revenues which are produced by the labourers who consume them, and never belong to any other person.” (In this case, quite irrespective of the particular form, the worker must in fact be the owner of his instruments of production.)

“2nd.—Revenues belonging to classes distinct from the labourers, and expended by those classes in the direct maintenance of labour.

“3rd.—Capital in its [...] proper sense [...]

“These distinct branches of the Labour Fund may all be
observed in our own country, but when we look abroad, we see those parts of that Fund, which are the most limited here, constituting elsewhere the main sources of subsistence to the population [...] and determining the character and position of the majority of the people . . .” (pp. 45-46).

To point 1. “... the wages of labouring cultivators, or occupying peasants . . . . Labouring cultivators, or peasants, may be divided into three groups—hereditary occupiers, proprietors, tenants. The [...] tenants may be subdivided into serfs, metayers, cottiers; the last [...] peculiar to Ireland. Something which may be called rent, or something which may be called profit, is often mixed up with the revenues of peasant cultivators of all classes, but when ‘their subsistence is essentially dependent on the reward of their manual labour’, they come within the limits of our present inquiry” (p. 46).

“Thus, among the labouring peasants, there are:
a) “Hereditary occupiers, who are labouring cultivators; [...] ancient Greece, modern Asia, more especially India” (p. 46).
b) [peasant] “... proprietors [...] France, Germany, America, Australia [...] state of Ancient Palestine.”
c) “cottiers” (pp. 46-48).

The characteristic feature of these groups is that the worker reproduces the labour fund for himself. It is not transformed into capital. Just as the worker directly produces the labour fund, so he appropriates it directly, although his surplus labour may be appropriated either wholly or in part by him himself or may be appropriated entirely by other classes, depending on the particular form which his relation to the conditions of production assumes. It is entirely due to economic prejudice that Jones describes this category as wage-labourers. Nothing which characterizes wage-labourers exists amongst them. It is a pretty bourgeois economic fancy that, because that part of the product which the worker
appropriates to himself under capitalism appears as wages, the part of his product which the worker himself consumes must be wages. [. . .]


[. . .]

“Capital . . . consists of wealth saved from revenue, and used with a view to profit” (p. 16). “The possible sources of capital [. . .] are obviously, all the revenues of all the individuals composing a community, from which revenue it is possible that any saving can be made. The particular classes of income which yield the most abundantly to the progress of the national capital, change at different stages of their progress, and are therefore found entirely different in nations occupying different positions in that progress” (p. 16).

Profit is therefore by no means the only source from which capital is formed or augmented: it is even an unimportant source of accumulation, compared with wages and rents, in the earlier stages of society\(^3\) (p. 20)

“. . . when a considerable advance in the powers of national industry has actually taken place, profits rise into comparative importance as a source of accumulation” (p. 21).

[. . .] To a certain extent accumulation of wealth takes place in all stages of economic development, that is, partly as an expansion of the scale of production and partly, the accumulation of treasure, etc. As long as wages and rents predominate—that is, according

\(^3\) This paragraph represents a summary by Marx of the ideas outlined by Jones on p. 20 of his book. It is written almost entirely in English.
to what was said earlier, as long as the greater part of the surplus labour and surplus product which does not accrue to the worker himself, goes to the landowner (the State in Asia) and, on the other hand, the worker reproduces his labour fund himself, i.e., he not only produces his own wages himself, but pays them to himself, usually, moreover, (almost always in that state of society) he is also able to appropriate at least a part of his surplus labour and his surplus product—in this stage of society, wages and rent are the main sources of accumulation as well. (In these circumstances profit is restricted to merchants, etc.). Only when the capitalist mode of production has become predominant, when it does not merely exist sporadically, but has subordinated to itself the mode of production of society; when in fact the capitalist directly appropriates the whole surplus labour and surplus product in the first instance, although he has to hand over portions of it to the landowner, etc.—only then does profit become the principal source of capital, of accumulation, of wealth saved from revenue and used with a view to profit. This at the same time presupposes (as is implicit in the domination of the capitalist mode of production) that “a considerable advance in the power of national industry has actually taken place”.

Jones thus answers those asses who imagine that no accumulation can take place without the profit yielded by capital or who justify profit by saying that the capitalist makes a sacrifice in order to save from his revenue for productive purposes, by pointing out that in this particular (capitalist) mode of production the function “of accumulating” devolves principally on the capitalist whereas, in previous modes of production, it was the labourer himself and, in part, the landlord who played the chief roles in this process and profit played hardly any part in it.

Naturally, the function [of accumulating] always devolves on those, 1) who pocket the surplus-value and, 2) among those who pocket the surplus-value in particular on the person who also acts
Richard Jones

as agent in the production process itself. By saying, therefore, that profit is justified by the fact that the capitalist "saves" his capital out of profit and that he fulfils the function of accumulating, one merely says that the capitalist mode of production is justified because it exists—this, however, applies equally to the modes of production which preceded it and those which will succeed it. If one says that otherwise accumulation would be impossible, then one forgets that this particular method of accumulation through the agency of the capitalist has come into existence at a certain historical stage and is moving towards the historical date when it will cease to exist. [ . . . ]

The Development of Capitalist Relations in Agriculture
KARL KAUTSKY

The Capitalist Character of Modern Agriculture

Value

The elevation of agriculture from the feudal stage to its modern heights, and its participation in the uninterrupted advance of economic and technical progress required—and still requires—a great deal of money. We hardly need to prove or demonstrate this further. Consider the simple fact that between 1835 and 1842 100 million Marks were spent in England on drainage alone, with a further 50 million for the same purpose between 1846 and 1855. This latter sum allowed 1,365,000 acres to be drained—still leaving 21,325,000 acres unattended to.

Modern agriculture is impossible without money, or, what amount to the same thing, without capital, for within the contemporary mode of production any sum of money not needed for personal consumption can become capital, surplus-value-breeding value—and this is, in fact, its customary fate.

A modern farm is therefore a capitalist enterprise, and bears the characteristic features of the capitalist mode of production, but in forms unique to itself. The clarification of this point will involve a short digression into the realm of economic abstraction, in which we shall sketch out our theoretical standpoint—that of the Marxist theory of value, surplus-value, profit and ground-rent. We shall naturally have to content ourselves with a number of general observations here: any readers interested in deepening their understanding of the material in this chapter are recommended to read the three volumes of Marx’s Capital, if they are still unacquainted with this work.
Modern agriculture displays two basic features: *private property in land, and the commodity-character of agricultural products*. We considered the first of these in our discussion of the emergence of modern agriculture: we now turn to the latter, together with its consequences. A commodity is a product of human labour not produced for the producer's own consumption, or simply surrendered without recompense for consumption by others, family members or feudal overlords: it is a product not directly needed by the producer and destined to be exchanged with other individuals for products which the producer does require.

Initially the ratio in which certain amounts of a commodity are exchanged for amounts of other commodities is very much a matter of chance. The more that commodity-production develops, however, the more this exchange will be regularly repeated: the accidental character of the ratio will diminish and the exchange-ratio will take on a certain law-like character. Each commodity acquires a definite *exchange-value*, based on these ratios. Exchange subsequently becomes sale—that is, a particular commodity becomes the money-commodity, the commodity which anyone can use, which anyone will accept, and which measures its value in terms of all other commodities. The specific amount of the money-commodity—gold or silver—which is given for a specific commodity is termed its *price*.

The value of commodities is only apparent as a *tendency*, as a law-like movement tending to regulate the process of exchange or sale. The *product* of this process is the actual exchange-ratio, or the price obtaining on a market. Naturally, a law and its result are two different things. Irrespective of whether we are talking about social processes or natural processes, distinguishing one from the other is the prerequisite for unearthing the laws governing these processes: each process must be considered separately, removed from disturbing secondary factors. This is the only method for
discovering the laws which operate behind the visible phenomena: once these laws are understood, it is an easy matter to understand their surface manifestations. Proceeding in the opposite direction will yield neither an understanding of the phenomena, nor of their underlying laws. Despite the patent obviousness of this point—and its constant repetition—it is still persistently ignored, especially in value theory.

What then does determine exchange-value, the particular, regular exchange-ratio of two commodities? Exchange is the child of the division of labour. Commodity-production is a form of production in which workers in different branches of labour, working independently, produce for each other. In a socialist society they would work for each other directly; as independent producers they can only work for each other by exchanging the products of their labour. They are, however, free and equal—a true exchange of commodities can only take place between such individuals. A situation in which one party is dependent on the other would constitute extortion or robbery, not exchange. Of course, a free individual will not work for another for nothing: they will not give more labour than they receive. There is, therefore, an observable tendency for products requiring the same expenditure of labour to be equated with each other in exchange, with the average amount of necessary labour required for their production determining their value. Whether the producer realises this value on the market, whether the price obtained for the commodity at least covers the labour contained in it, depends on a number of circumstances grouped together under the headings of supply and demand.

The theory that the value of the commodity is determined by the socially necessary labour required for its production is strenuously disputed by modern university economic science. A closer look reveals, however, that all the academics' objections
rest on a confusion of commodity-value with use-value, on one hand, and price on the other. All academic theories of value basically boil down to trying to add in the utility of products and the demand for them into their value, in addition to the expenditure of labour required to produce them.

Clearly, a product has to be useful, it must correspond to some real or imagined need if it is to become a commodity and acquire a value. Use-value is the precondition for commodity-value, but does not determine the latter’s level. The presupposition for any exchange is that both commodities are of a different sort—otherwise exchange would have very little purpose. Use-values of a different type cannot be compared in purely quantitative terms, as can be done with exchange-ratios. It would be absurd to maintain that a yard of linen is ten times more valuable than a pound of iron because it can satisfy ten times as much need, or is ten times more useful than a pound of iron: the utilities of commodities represent quite different and incommensurable concepts.

Of course, different examples of the same type of commodity can exhibit a higher or lower level of use-value: a durable pair of boots has a higher use-value than a less durable pair. A glass of Rüdesheimer has a greater use-value than a glass of Grünberger. The consumer is perfectly happy to pay more for the higher use-value: use-value is therefore an element of commodity-value. Or rather, it could almost appear so. But this raises a further question.

If the higher use-value creates a higher commodity-value, why doesn’t every producer concentrate exclusively on producing examples of a given commodity with higher use-value? Why doesn’t every cobbler make solid shoes, or every vintner top-quality wines? The answer is very simple. If we disregard individual differences in the raw materials and tools used by the cobbler, for example, which do not affect the overall outcome, then better
shoes are the product of better labour, that is, a greater expenditure of labour. And it is this greater expenditure of labour, and not the higher use-value, which determines the higher commodity-value of the better quality product. There is a well-known saying that the most expensive goods are the cheapest: that is, their use-value exceeds that of the lower quality product by much more than their commodity-value. A pair of boots costing 12 Marks might last twice as long as a pair costing 10 Marks.

The higher price of a Johannisberger or a Rüdeshimer is based, however, on the fact that these wines cannot be produced everywhere: the law of value ceases to apply here since we have entered the realm of monopoly. The law of value presuppose free competition.

Differences in quality which cause differences in prices for the same type of commodity are always attributable either to differences in the expenditure of labour or the existence of monopoly. It would be sheer idiocy to think that workers with the same skills or gifts would not produce the best quality product in their field were such factors not at work.

Greater or lesser demand has a similar effect to that of greater or lesser utility. Although the interaction of demand and supply might explain why the price—not value—of the same commodities can be high one day and low the next, it can never explain why one type of commodity is always more expensive than another: why, for example, on average a pound of gold was always approximately 13 times more expensive than a pound of silver, over a period of several centuries. The only plausible explanation is that the conditions under which the two metals were produced remained constant over this long period. It would be ridiculous to suppose that the demand for gold remained exactly 13 times greater than the demand for silver, uninterruptedly over the entire period.

Although one's initial feeling is one of embarrassment at having to repeat these arguments for the umpteenth time, it does
unfortunately seem to be necessary every time the discussion turns to value theory since its opponents never seem to tire of resurrecting the same old confusions. Take Professor Lujo Brentano, for example. Brentano’s most recent writings on agrarian policy (Part I, *Theoretische Einleitung in die Agrarpolitik*) deals with the theory of ground-rent, and its presupposition, value theory. He writes:

Ricardo and his school spoke of natural value and characterized this as the sum of the costs required to produce a good. In the social-democratic extension of this theory, *natural* value is characterized as the sum of *social labour time* needed for the production of a good.

Brentano’s “social labour time” is a mystery as far as we are concerned. It is certainly something quite different to “socially necessary labour time”. Brentano continues:

Both theories of value—Ricardo’s and Marx’s—have been superseded in economic science. Herman demonstrated their untenability in showing that costs are only one of the factors determining price; and that the urgency of need, serviceability, ability to pay, alternative sources of supply, the seller’s need to sell, the exchange-value of the means of payment, and other advantages offered by the buyer, together with other possibilities for sale, also play a role in price-determination. (Brentano, ibid., p.84)

So, *Marx’s theory of value* has been “superseded” because price is not determined solely by the expenditure of labour. Ricardo and before him Adam Smith talked about “natural price”. Brentano forces them, and even Marx, to talk in terms of “natural value”. It is remarkable how much confusion between price and value can be compressed into the space of so few lines.
Leaving aside those factors which determine fluctuations in prices, Brentano's system is also left with only one determining factor—the expenditure of labour, or in Brentano's "improvement", the costs of production. Such an improvement is highly dubious, however.

Costs of production presuppose exactly what they are intended to explain—value. What determines costs of production? The sum of production costs is the sum of the values expended. Value is first explained by costs of production, and then costs of production by value. What magnificent reasoning!

Nevertheless, the proposition that the value of a commodity is determined by its costs of production is not entirely nonsensical; the university economists simply fail to clarify the circumstances under which it might become meaningful. Such a clarification requires us to distinguish between simple and capitalist commodity-production.

Surplus-value and Profit

Simple commodity-production is the original form of commodity-production. It is characterized by the fact that the producers not only confront each other as free and equal individuals, but also own their means of production.

As with all the other major epochs of economic development, simple commodity-production has never prevailed in its pure form, but always mixed with other forms, such as natural economy, feudalism and guild-based monopoly. Likewise, under simple commodity-production, the law of value was only able to operate effectively where regular production by free and mutually competing producers for the market managed to develop within the prevailing limitations.

Capitalist commodity-production superseded simple commodity-production at a particular culminating point in development. Workers ceased to own their means of production,
became propertyless, and found themselves confronted by capitalists, the owners of the means of production. Unable to work directly for the consumer, the workers are now compelled to work for the capitalist entrepreneur; by selling their labour-power to the capitalist, the workers become wage-labourers.

Commodity-production has to await the arrival of this mode of production before it can become the universal, or at least the dominant, form of production. The natural economy then rapidly fades away, feudal exploitation and the guild monopolies cease to be viable, to be replaced by, in general, free and equal producers. However, in creating the conditions under which the law of value can become universally operative, this mode of production also allows an intermediary link to emerge between value and market price which both obscures the law of value and modifies its operation. This link consists of the costs of production, that is the total sum of money which has to be spent on the production of a commodity.

It would be nonsensical to determine the prices of finished commodities by their production costs under a system of simple commodity-production. Consider the simplest example of primitive peasant weavers producing their own raw materials and also putting together their own looms. No money outlays are required, and the production of the product costs the producer nothing more than labour.

However, the determination of price by the costs of production no longer appears so absurd where the existence of a division of labour means that producers have to buy their means of production. As with our rustic weaver, the value of the linen produced by a specialized craft weaver is determined by the labour socially necessary for its production: it is simple not quite as evident as in the former instance. The producers no longer make their own yarn and loom, but purchase them. Their value constitutes the craft weaver's costs of production and they enter into the value
of the product—in full in the case of the yarn, and in part, depending on the rate of wear and tear, in the case of the loom. But these costs of production do not determine the total value of the linen; this can only be established by adding in the value created by the weaver’s labour.

The situation is quite different under the capitalist mode of production. The owners of the means of production and the worker are two different individuals. A capitalist who wants to produce an article not only has to buy in raw materials and implements, like the weaver in the previous case, but also has to buy the labour-power of the workers themselves. For the capitalist—and only for the capitalist—all the elements of production dissolve into outlays on money. The production of a commodity does not cost labour but money; it is the amount of money, not labour, expended which determines the costs of production and price. But one would have to be blind to the distinction between simple and capitalist commodity-production to pronounce the determination of price by costs of production to be the general law of commodity-production, and hence to “improve” the labour theory of value.

The true costs of production do not account for all the costs which capitalists take into account when working out what to charge for a commodity. If the price of a commodity was equal to the amount of money expended in its production, capitalists would gain nothing by selling it; yet the motive for capitalist production is the prospect of gain. If investing money in an enterprise did not yield a profit, the capitalist would be better off spending it on his own immediate pleasure. It is profit, gain, which makes a sum of money into capital and any sum of money which is used to yield a profit is capital.

The capitalist therefore adds on an extra amount to the total outlays needed for production, and will feel that production has been at a loss if the customary or normal profit for that branch is
not obtained. The capitalist's costs of production, which are used to calculate the price needed to cover costs, are worked out on the basis of the sum of cash outlays plus normal profit. This is a fact which is directly observable in capitalist practice, and is therefore well known.

Adam Smith, for example, distinguished between labour-value, which underlies the fluctuating market prices in simple commodity-production, and the modification of that value in the capitalist mode of production by the costs of production representing the natural price (not natural value à la Brentano), which Marx termed the price of production. The advance registered by contemporary academic economics over these “outmoded” economists consists in not only conflating simple commodity-production and capitalist production, but also value, natural price and market price—and then stating that the classical theory of value has been superseded because “natural value” does not explain price fluctuations. Smith notes in *The Wealth of Nations*:

> In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. (Smith, p. 150)

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. (Ibid., p. 151)

Note the sharp distinction drawn between simple and capitalist
commodity-production. In Chapter 7 Smith goes on to note that every society or neighbourhood exhibits an average rate both of wages and profit, and of rent, which we propose to deal with shortly. These average rates can be termed their natural rates.

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price. (Ibid., p. 151)

As with value, the "natural" rate of profit only exists as a tendency: just as prices gravitate towards values, so profits gravitate towards the "natural" or average profit.

What determines the level of this "natural" or "normal" profit, however? Neither Smith nor Ricardo, nor in fact any of the other bourgeois economists have much to say on this subject: the proposals they do make, such as greater or lesser risk, higher or lower wage-rates, only explain the deviations of actual profit from average profit, just as supply and demand simply explains the deviation of market price from value, or from price of production: they do not explain the level of average profits at a given moment. They may provide a satisfactory explanation of why profit is 19 per cent in one place and 21 per cent elsewhere—but not why it is 20 per cent on average, instead of 200 or 2,000 per cent. It was Marx, with the theory of surplus-value, who first supplied the explanation for this.

Marx did not discover surplus-value. Neither did he have to borrow the concept from William Thompson as it was already clearly outlined by Smith, who in Chapter 6 of The Wealth of Nations writes: "the value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the
one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced” (ibid., p. 151).

This represents a clear recognition and definition of surplus-value, to which Thompson subsequently added nothing: his sole contribution was to derive a juridical demand of dubious value from the economic facts. In fact, he had no more idea of how to use the concept of surplus-value to explain economic processes than Smith or any of the other pre-Marxist economists. Surplus-value simply served to condemn profit, not to explain it. This achievement fell to Marx, who was the first to show systematically where surplus-value originated from, and how it functioned—a fact which the later discoveries of Menger and his associates can do little to change.

Surplus-value exists because, beyond a certain level of technical development, human labour-power can produce more than is required for its preservation and reproduction. Human labour-power has yielded up such a surplus since time immemorial; the entire progress of civilization rests on the steady increase in this surplus through improvement in technology.

Under simple commodity-production, the surplus-product takes the form of commodities and receives a value. This cannot yet be termed surplus-value since although human labour-power produces values, at this stage of development it does not yet have a value itself, not being a commodity.

The receipts from the surplus-product accrue to the workers; they can be used to improve the welfare of workers’ families, for enjoyments, both of a basic and more refined sort, to increase savings or even amass a fortune, and to improve the means of production. The worker has to make some deductions from the surplus-product: payments to landlords, the commune, the nobility and interest payments to the usurer, should the worker have previously fallen on hard times. The value of the surplus-
product may even be wholly or partly denied the worker before it is even produced: the free worker's misfortune is not only to be open to exploitation by the usurer, but also at a certain level of development of the market to exploitation by the merchant—often one and the same individual. Under simple commodity-production the profit of the merchant cannot, therefore, simply rest on the fact that the commodities are sold for more than their value—but also that they are bought for less than their value. This source of profit grows in proportion to the degree of market competition and the subordination of the producer. One further step beyond this stage, and we enter the domain of the capitalist mode of production.

Instead of forcing the free producer to accept a price below the value of the product, it would not require a leap of imagination on the part of the merchant to choose to exploit the distress of the workers by taking them into service as wage-labourers, shifting the site of the production of commodities from the worker's own workshop to that of the capitalist, and providing the workers' living by buying their labour-power, not their products.

Labour-power becomes a commodity, and as such receives a value which is equal to the value of the means of subsistence necessary for its preservation and reproduction. The surplus of value which the workers produce above and beyond the value of their own labour-power, becomes surplus-value: where the price of labour-power, the wage, corresponds to its value, this accrues wholly to the capitalist.

The industrial capitalist obtains the whole of the product created by his wage-labourers. The value of this product is equal to the value of the means of production used—raw materials, wear and tear on machines and building and the like—plus the value of the worker's labour-power (in more common parlance, the wage plus surplus-value). It is the latter which constitutes the profit. The transformation of surplus-value into profit is, however,
a much less simple operation than the transformation of value into price.

Capitalists put *capital*, not labour, into the production process. Their profit does not appear as the product of surplus-labour but as the product of capital. The rate of profit is calculated not by the amount of labour employed, but on the amount of capital. What follows from this is that if several enterprises obtain the same rate of surplus-value, different rates of profit will emerge if the amounts of capital used in each vary.

We can illustrate this in a simple example. Consider three enterprises in which not only the rate of surplus-value, that is the exploitation of the workers, but also the turnover of capital is the same. The capitalist calculates the rate of profit as the ratio of the total mass of profit obtained by a firm in one year to the total mass of capital advanced for one year. If two firms with the same rate of surplus-value and amount of capital had different turnover times for their capital, their rate of profit would be different.

If a capital of 100,000 Marks yields a surplus-value of 10,000 Marks on each turnover, then, with a single turnover of capital per year, the ratio of the annual surplus-value to capital would be equal to 1:10; if the capital turned over ten times it would be equal to 10:10. In the first instance the rate of profit would be 10 per cent, and in the second 100 per cent. Nevertheless, we will leave this difference aside here as it would merely complicate the issue at hand.

If we, therefore, consider three firms with the same rate of surplus-value, the same turnover time of capital, and the same number of workers, then what will vary is the amount of capital required to employ this same number of workers. Marx distinguished between two types of capital: constant and variable. Variable capital is the money expended on the wages applied to produce surplus-value. This portion of the capital grows in the production process, can change, in other words, is variable. By
contrast, that portion of capital tied up in building, machines and raw materials—that is, in the means of production—does not change the magnitude of its value during the production process; its value appears unchanged in the product which it produces: it is therefore constant. In our example we proceed on the assumption that each of the three firms expends the same amount of variable capital, but differing amounts of constant capital. In one firm an unusually small amount of constant capital is used—it could be a small carpenter’s workshop without any building or machines, using simple tools to produce cheap timber. The second firm employs an unusually large amount of constant capital; we can imagine, perhaps, a chemical factory with very substantial building, numerous machines and relatively few workers in comparison. And finally, the third firm might represent the average expenditure of constant and variable capital: let’s say a furniture factory.

To make our example as simple as possible we shall assume that all the constant capital will be completely used up in the course of one year, and will therefore appear in full in the value of the product. In reality, of course, this only rarely happens in a capitalist enterprise: buildings and machinery do not wear out that quickly. A machine remains in use for around ten years, and therefore only gives up one tenth of its value to the products which it creates in any one year’s output. However, not making this assumption would unnecessarily complicate our example without affecting anything in the final result. Each of the three firms employs 100 workers at an annual wage of 1,000 Marks per worker. The rate of surplus-value is 100 per cent in each case, the mass of surplus-value is consequently 100,000 Marks. However, in firm A, the woodyard, constant capital is 100,000 Marks; in firm B, the furniture factory, it is 300,000 Marks, and in firm C, the chemical factory, 500,000 Marks. With one turnover per year, we therefore have the following results:
If the commodities were sold at their values then A would make a profit of 50 per cent, B of 25 per cent, and C of 16.6 per cent. This would constitute a gross violation of the supreme commandment of the capitalist mode of production: equality, not of people, but of profit. Capitalists would shun factories in branch C, and descend in a pack on firms in branch A. In C the supply of products would soon drop and, as a consequence, the price would rise above the level of value; the converse would take place in A. Finally prices in A and C would reach a level at which each would yield the same rate of profit as the average capital B. This rate of profit is the average rate of profit and determines the price of production. We therefore have:

Consequently, the prices of production as determined by the "costs of production" diverge from the values of the products: however, this is only a modification of the law of value, not its nullification. It continues to exercise its regulative function behind
the price of production and retains its absolute validity for the totality of commodities and the aggregate mass of surplus-value, providing the basis both for prices and the rate of profit—which in its absence would float, unsuspended, in mid-air.

Academic economists treat Marx’s value-theory—long since superseded by “science”—with contempt. But this does not seem to deter them from regarding it as vital to maintain a running battery of books and monographs to supersede it yet again—works whose value is perhaps not always in proportion to the labour expended on their production. And what do they offer by way of explanation of the average rate of profit—just that little word “normal”.

**Differential Rent**

The foregoing explanation of “customary” or “normal” profit has brought us to the subject of ground-rent.

One of the sources of ground-rent lies in the fact that capitalists can make a surplus-profit in addition to their “normal” profits. Of the various types of surplus-profit which exist, the one we are interested in here arises from the fact that by having access to especially favourable means of production, an industrial capitalist can produce at a cost-price lower than that necessitated by the generally prevailing relations of production.

Consider the following illustration—based on the same simplifying assumptions made above.

Two shoe factories are located in a town. Miller & Co. produces using the conventional machinery available. Masters & Co. has managed to get hold of some particularly efficient machines. Miller & Co. produces 40,000 pairs of shoes a year, with a total outlay of 320,000 Marks. The average rate of profit is 25 per cent. Miller & Co. therefore has to set its prices sufficiently high to make a profit of 80,000 Marks, in order to avoid what would be regarded as a
loss in capitalist terms. The total price of production for Miller & Co. is therefore 400,000 Marks, or 10 Marks a pair.

Thanks to its excellent machines Masters & Co. can produce 45,000 pairs of shoes with an outlay of 320,000 Marks. The individual price of production is, therefore, not 10 Marks a pair, but 8.88 Marks. But since the shoes can be sold at the general price of production—that of its competitors of 10 Marks a pair—Masters & Co. ends up with 450,000 Marks for its total production. In addition to the normal profit of 80,000 there is a nice little sum of 50,000 Marks as surplus-profit.

Let us now transpose this example to the realm of agriculture. Instead of two factories, we shall consider two areas of agricultural land (each of approximately 20 hectares) of differing fertility, cultivated by capitalist entrepreneurs. One produces 400 cwts of wheat for an outlay of 3,200 Marks, and the other 450 cwts for the same outlay. The owner of the first area of land—assuming a normal rate of profit of 25 per cent—will have to add 2 Marks to the cost-price of 8 Marks, making a price of production of 10 Marks with a total profit of 800 Marks. The second cultivator also sells the wheat at 10 Marks per cwt, but obtains total receipts of 4,500 Marks, and therefore obtains a surplus-profit of 500 Marks in addition to average profit.

Although this might appear to be exactly the same phenomenon encountered in the example taken from industry, it is in fact fundamentally different. Surplus-profit in agriculture is subject to quite unique laws, and as a result constitutes a specific category in economics, that of ground-rent.

The land—and consequently all those productive forces which represent “an accessory to the land” (Marx, *Capital*, III, p. 615), such as the power of waterfalls or running water in general—is a productive force of a very special kind. It cannot be increased at will, it varies from locality to locality, and the particular
characteristics of a given piece of land are rooted in it, and cannot be transported elsewhere. In contrast, machinery and tools can be multiplied at will, can be transported, and can be manufactured to a common standard.

Consequently, if an industrial capitalist achieves a surplus-profit through access to particularly favourable conditions of production, this is either a result of some unique personal attributes or connections, a stroke of good luck, some particular experience, intelligence or energy, or a particularly large stock of capital. It will not be long before other capitalists begin to hanker for the same profit: they will attempt to set up factories with the same conditions of production. Sooner or later, the once extraordinarily advantageous conditions of production will become widespread, increased supply to the market will cause prices to fall, and the surplus-profit of the capitalist who first introduced the improvements will disappear.

In industry, a surplus-profit on more favourable conditions of production is always an exceptional and a temporary phenomenon.

In agriculture, where surplus-profit originates in the unequal productivity of different types of soil, matters are quite different. This unequal productivity is the result of natural conditions, and under given technical circumstances is a fixed magnitude. Even if we assumed that all other conditions of production were identical for different farmers, differences in the quality of the soil would still remain. Unlike surplus-profit in industry, ground-rent is an enduring phenomenon.

But this is not the end of the story. As we know, the price of production of an industrial good is determined by the normal profit plus the cost-price required on average under the given conditions of production—that is, the total outlay of capital needed to produce a good. A factory whose individual cost-price
is lower than the "socially average" is rewarded by a surplus-profit; and a factory which produces at a higher cost receives a lower than normal profit, and may even make a loss.

In contrast, cost-price in agriculture is not determined by the costs of production on average-quality land. If poorer soils are widely cultivated in addition to the best land, this is not something which can be attributed to the personal circumstance or the character of the farmer. It is a product of the fact that the better land does not produce enough to feed the entire population. But the capitalists—and we are only dealing here with capitalist agriculture—expect to obtain normal profits as well as cost-price from their entrepreneurial activities. Consequently, poorer land will only be cultivated if the reduced supply has so raised the prices of foodstuffs that cultivating even the worst land is worthwhile. In agriculture, therefore, it is the poorest—not average—land which generally determines prices of production.

This leads to a third distinction between ground-rent and industrial profit. Population growth occurs where industry develops, with a consequent growth in the demand for foodstuffs. New land has to be brought into cultivation. As a result, the differences in productivity between different areas of cultivated land will tend to widen during the course of economic development, with a consequent growth in ground-rent.

We can show this by extending our previous example to embrace a third piece of land which only manages a yield of 320 cwt of wheat. Thus:

<table>
<thead>
<tr>
<th>Type</th>
<th>Wheat yield</th>
<th>Capital advanced</th>
<th>Rate of profit</th>
<th>Individual price of production</th>
<th>General Price of production</th>
<th>Ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cwt</td>
<td>Marks</td>
<td>%</td>
<td>Total Per cwt</td>
<td>Total Per cwt</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>450</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>8.88</td>
<td>4,500</td>
</tr>
<tr>
<td>B</td>
<td>400</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>10.00</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Table I
Table II

<table>
<thead>
<tr>
<th>Type of wheat</th>
<th>Capital rate</th>
<th>Individual price of production</th>
<th>Ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cwt</td>
<td>Marks %</td>
<td>Total</td>
</tr>
<tr>
<td>A</td>
<td>450</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
<tr>
<td>B</td>
<td>400</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
<tr>
<td>C</td>
<td>320</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
</tbody>
</table>

The upshot of increasing production and its extension to poorer land is an increase in ground-rent on soil A from 500 to 1,650 Marks. Soil B, which previously yielded no ground-rent, now provided 1,000 Marks.

The rate of profit has a tendency to fall in the course of capitalist development. We cannot go into why this is so here—and the issue is not in dispute as such. In contrast, ground-rent has a tendency to increase. This does not mean that the ground-rent of a particular plot of land must steadily increase. In a country which has been under cultivation of a long time, the extension of cultivation will usually be from good soil to poorer soil. The opposite often happens in a new country, since the land first taken into cultivation is not necessary the best but simply the most accessible. If we had assumed that better land was taken into cultivation as agriculture expanded, our table would look something like this:

Table III

<table>
<thead>
<tr>
<th>Type of wheat</th>
<th>Capital rate</th>
<th>Individual price of production</th>
<th>Ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cwt</td>
<td>Marks %</td>
<td>Total</td>
</tr>
<tr>
<td>X</td>
<td>500</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
<tr>
<td>A</td>
<td>450</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
<tr>
<td>B</td>
<td>400</td>
<td>3,200 25</td>
<td>4,000</td>
</tr>
</tbody>
</table>
Table IV

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>600</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>6.66</td>
<td>5,328</td>
</tr>
<tr>
<td>A</td>
<td>500</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>8.00</td>
<td>4,440</td>
</tr>
<tr>
<td>B</td>
<td>450</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>8.88</td>
<td>4,000</td>
</tr>
</tbody>
</table>

In Table III the ground-rent of A has not risen, but area X, which previously produced no ground-rent, now yields 1,000 Marks. The mass of ground-rent accruing to a land ownership has increased in absolute terms and in proportion to the total capital advanced in comparison to Table I.

Under certain circumstances so much land, and of such high quality can be made cultivable that food prices fall, and agriculture ceases to be profitable on the poorer soils, which have to be abandoned. Where this happens, the ground-rent from certain plots will fall, but despite this the mass of aggregate ground-rent can continue to increase, both absolutely and in proportion to the total capital employed. This case can be seen Table IV.

In Table IV the price of production has fallen, and soil B is abandoned. Area A no longer provides a ground-rent, and the ground-rent on X has fallen from 1,000 Marks to 440. Nevertheless, the total amount of ground-rent has risen from 1,500 Marks (Table III) to 1,768.

This rule operates irrespective of whether we consider an individual plot, the total land area of a country or even the world economy as a whole. The only difference is that the scale shifts from hundreds and thousands, to hundreds and thousands of millions.

Differences in the fertility of land are not the only source of ground-rent. Differences in location and distance from market can also have the same effect. The more the population of a market for foodstuffs, and hence its demand for food, grows, the greater the distance from which produce has to be obtained. Naturally, remote tracts of land will only be cultivated if food prices have
risen sufficiently to cover transport cost and production costs, as well as yielding the average rate of profit. Ground-rent will then arise in the plots of land nearest to the market.

Consider three plots of land at various distances from the market: to keep matters simple we shall assume that all are equally fertile. Transport costs are 1 penny per cwt/mile.

<table>
<thead>
<tr>
<th>Plot</th>
<th>Distance from market</th>
<th>Production of wheat</th>
<th>Individual production price where produced</th>
<th>Transport costs</th>
<th>Market price of wheat</th>
<th>Ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>5 Miles</td>
<td>400 Cwt</td>
<td>4,000 Marks</td>
<td>20</td>
<td>4,400 Marks</td>
<td>380 Marks</td>
</tr>
<tr>
<td>B</td>
<td>50 Miles</td>
<td>400 Cwt</td>
<td>4,000 Marks</td>
<td>200</td>
<td>4,400 Marks</td>
<td>200 Marks</td>
</tr>
<tr>
<td>C</td>
<td>100 Miles</td>
<td>400 Cwt</td>
<td>4,000 Marks</td>
<td>400</td>
<td>4,400 Marks</td>
<td>—</td>
</tr>
</tbody>
</table>

This type of ground-rent also tends to rise in proportion to the growth in population, although improvements in transportation counteract this.

We now turn to the third, and for countries with well-developed cultivation, most important type of ground-rent. Food production cannot only be increased by bringing land under the plough, but also by improving methods of cultivation on already utilised land, and by applying more labour to it; in short, by advancing a larger amount of capital (outlays on wages, stock, fertilisers, implements, etc.). If this additional capital produces a higher yield when applied to good land than would have been obtained by using it to bring poorer land into cultivation, this additional yield constitutes a new surplus-profit, new ground-rent.

We can illustrate this by reconsidering the example in Table I. There we had two plots of land of equal size—A and B. B has poorer soil, and its price of production (10 Marks per cwt) is the
one which dictates the market price. An additional amount of capital is applied to soil A, doubling the original capital: the new investment is not as productive as the former, but more productive than the capital applied to the poorer soil. We then have:

Table V

<table>
<thead>
<tr>
<th>Capital investment</th>
<th>Wheat yield</th>
<th>Capital sum</th>
<th>Rate of profit</th>
<th>Cost of production</th>
<th>Market price Per cwt</th>
<th>Total Ground rent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cwt</td>
<td>Marks</td>
<td>%</td>
<td>Marks</td>
<td>Marks</td>
<td>Marks</td>
</tr>
<tr>
<td>A1</td>
<td>450</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>10</td>
<td>4,500</td>
</tr>
<tr>
<td>A₀</td>
<td>420</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>10</td>
<td>4,200</td>
</tr>
<tr>
<td>Total</td>
<td>870</td>
<td>6,400</td>
<td>25</td>
<td>8,000</td>
<td>10</td>
<td>8,700</td>
</tr>
<tr>
<td>B</td>
<td>400</td>
<td>3,200</td>
<td>25</td>
<td>4,000</td>
<td>10</td>
<td>4,000</td>
</tr>
</tbody>
</table>

The overall ground-rent on A has therefore been increased by the additional capital investment A₀.

Irrespective of the various forms of ground-rent, they all have one thing in common: they arise from the differences in the fertility or location of individual plots of land—they are differential rents. But who benefits?

In industry, the surplus-profits resulting from above-average productivity of labour are pocketed by the capitalist, even though they may not have invented the better machine themselves, but simply commandeered the means for getting one up on their competitors, and even though they are not personally responsible for the greater productivity of labour, which rests on the fact that the capitalist can produce with a larger capital—that is, on an expanded scale. The capitalist does not do as well out of the surplus-profit arising from the difference in the fertility or location of a plot of land.

Naturally, if landowner and farmer are one and the same person, then the producer will reap in the surplus-profit. But this will not happen where farmer and landowner are two separate individuals, with the former merely leasing the land, which cannot
be transferred or expanded at will. The non-landowning farmer requires the permission of the landowner to practise agriculture, and the price of this permission is the obligation to hand over any surplus-profit, ground-rent. As a rule the landowner will not be able to get any more than this surplus-profit out of the tenant (assuming, as we do here, that the tenant is a capitalist farmer). If the capitalist sees no prospect of making the customary profit, he will abandon the business, and the landowner will be left tenantless.

On the other hand, if the lease-price is less than the ground-rent, the tenant will retain part of the surplus-profit for himself: this above-average profit will then attract competition, and push up the lease-price on land.

**Absolute Ground-Rent**

The monopoly control over the land exercised by the landowner is also evidenced in another way. So far we have assumed that the poorest land yields no surplus-profit. However, if the market prices of capitalistically produced commodities were determined directly by their values, and not by their prices of production, capitalist agriculture could also obtain a surplus-profit even on the poorest soils.

Let us go back to the Tables on p. 202 above in which we indicated the ratio of surplus-value to total capital for three different enterprises, A, B and C, with, as Marx terms it, "different organic compositions of capital", where "organic composition of capital is the name we give to its value composition, in so far as this is determined by its technical composition and reflects it" (Marx, *Capital*, III, p. 245). The lower the amounts of constant capital used in relation to variable, the lower the composition of capital. The exploitation of the workers, that is, the rate of surplus-value, assumed to be the same in all three cases.
If commodities were sold at their values—that is, if the mass of surplus-value in each case was equal to the profit—then with B representing the average composition of capital, A will obtain a surplus-profit. A will receive 50 per cent and B 25 per cent, making a surplus-profit of 25 per cent for A.

Were A producing under free competition this surplus-profit would be a temporary phenomenon. But if A were to occupy a unique position, enabling it to exclude competition to some extent, as in landownership, matters would be quite different. The ownership of land is a monopoly in all the older nations and confers the right to exclude land from cultivation should it fail to yield a rent. "Wo alles liebt, kann Carlos nicht hassen" (Schiller, Don Carlos)—and in a situation where every landowner is pocketing a rent, the owner of even the poorest land, yielding no differential rent, will also want to join the game. Such land will be kept out of cultivation until the price of food has risen sufficiently to award this landowner a surplus-profit too.

In fact, such a surplus-profit can arise without the price of production of grain exceeding its value. At least up to a certain level of technical development, agriculture is one of those branches of industry which exhibits a lower composition of capital inasmuch as they process virtually no raw materials—in fact they are the producers of such materials. Rodbertus, whose merit it was to provide the initial demonstration that the source of ground-rent was the surplus-profit arising from agriculture, was nevertheless wrong in claiming that the lower composition of agricultural
capital is inherent in agriculture. Although agriculture uses much less raw material than other branches of capitalist economic activity, its outlays on machinery and buildings—silos, stalls, drainage and so on—rise steadily in step with technical progress. It is very doubtful whether intensive agriculture could be practised with a lower than average composition of capital.

The turnover time of capital is also relevant in the calculation of profit (we left this to one side earlier so as not to introduce unnecessary complications into the analysis). The capitalist’s rate of profit is the ratio of the mass of profit obtained in a given period (say, a year) to the total capital employed. Given a uniform organic composition of capital and size of enterprise, the total amount of capital used will have to be larger, the slower the turnover of capital. In agriculture, the turnover of capital is especially slow—and a slower than average turnover can negate any surplus-profit emanating from other sources.

Let us assume that the three capitals A, B, C from our previous example each have different turnover times, with A needing 200,000 Marks, B 400,000 and C 600,000 to obtain a surplus-value of 100,000 Marks. The turnover time in A is one year (we disregard the distinction between fixed and circulating capital at the stage), in B six months, and in C three months. A will therefore have to advance the full 200,000 Marks in order to achieve the required outlay for one year. B will also have to advance 200,000 Marks to reach a total of 400,000 for the year as a whole, but C can attain its annual requirement of 600,000 Marks by advancing a mere 150,000.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Total capital</th>
<th>Surplus-value</th>
<th>Ratio of surplus value to total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marks</td>
<td>Marks</td>
<td>%</td>
</tr>
<tr>
<td>A</td>
<td>200,000</td>
<td>100,000</td>
<td>50.0</td>
</tr>
<tr>
<td>B</td>
<td>200,000</td>
<td>100,000</td>
<td>50.0</td>
</tr>
<tr>
<td>C</td>
<td>150,000</td>
<td>100,000</td>
<td>66.6</td>
</tr>
</tbody>
</table>
The more rapid turnover has more than made up for the loss which C suffered through its higher composition of capital.

Rodbertus was therefore wrong to suppose that the lower composition of capital in agriculture necessarily produces a surplus-profit whenever agricultural products are sold at their values. First, there is nothing necessary about this lower composition, and secondly, its effects can be more than offset by the slowness of agricultural capital’s turnover.

Although Rodbertus overshot the mark by trying to prove that the lower composition had to give rise to a specific form of rent, he did none the less show how such a rent could arise. It was left to Marx to explore the laws of this type of rent, which he termed absolute ground-rent.

As with any monopoly price, the price of food as determined by monopoly land-ownership can exceed its value. How much it exceeds it is a function of the extent to which the laws of competition still operate within the limits imposed by monopoly. This is determined by competition between landowners, including those from abroad, by the extent to which additional capital flows to better land under the impact of rising prices, thus raising its output, and finally, and most importantly, by the purchasing power of the population. The higher the price of food, the smaller will be the numbers of consumers, and the greater will be the number of those who have to cut back on consumption, in the process raising the demand for surrogates and stimulating their production. If this method does not succeed in providing the mass of the population with an adequate supply of food, increased emigration and mortality will eventually reduce their numbers.

The owners of land cannot, therefore, raise absolute ground-rent simply at will—but what they can extort they certainly do.

If absolute ground-rent is paid on the poorest soils, then it must also be paid on all others. This can be shown by a simple calculation. If we recall Table II, in which the poorest land C paid
no ground-rent at a wheat price of 12.50 Marks per cwt, we can see
what would happen if soil C was kept out of cultivation until the
price of wheat well exceeded 12.50 Marks. In fact, let us assume
that it rises so much that even bringing C into cultivation and the
consequent additional supply will not push the price below 15
Marks per cwt.

We would then have the following situation:

<table>
<thead>
<tr>
<th>Type of land</th>
<th>Wheat yield</th>
<th>Price of production per cwt</th>
<th>Market Differential price per cwt</th>
<th>Absolute rent per cwt</th>
<th>Total rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>450</td>
<td>8.88</td>
<td>12.50</td>
<td>15.00</td>
<td>1,630</td>
</tr>
<tr>
<td>B</td>
<td>400</td>
<td>10.00</td>
<td>12.50</td>
<td>15.00</td>
<td>1,000</td>
</tr>
<tr>
<td>C</td>
<td>320</td>
<td>12.50</td>
<td>12.50</td>
<td>15.00</td>
<td>-</td>
</tr>
</tbody>
</table>

The owner, or owners, of plot C have not only created a rent
for themselves through the increase in the price of wheat, but have
demonstrated their practical Christianity by virtually doubling
the rent of their colleagues. How they did this is the method
adopted by all cartels—restricting output to raise prices. The
distinction between an agrarian and an industrial cartel consists
in the fact that the landowners’ natural monopoly makes it easier
for them to raise prices than is the case for their industrial or
commercial colleagues, who are obliged to create a monopoly by
artificial means. Of course, no one is more indignant about corn-
profiteering and wheat price-rings than the landowners—precisely
the same individuals who prohibit “Jewish” trading in futures since
it allegedly prevents the price of bread from going up.

Ground-rent enters the landowner’s coffers pinned to the title-
deeds of land: they do not have to lift a finger to collect it once the
land is leased out. Capitalist entrepreneurs—although not actually
engaged directly in production—at least have to be active in the
sphere of commodity circulation, in purchase and sale, in order
to realise the profit produced by their workers, or used to until joint stock companies both revealed and confirmed their superfluity here too.

All the landowner has to do is own the land—and look on as the rents not only come rolling in, but also often increase without any effort on the landowner's part.

Capitalist ground-rent should not be confused with the burdened imposed on peasants by the feudal aristocracy. Initially, and more or less throughout the Middle Ages, these corresponded to important functions which the lord had to perform—functions which were subsequently taken over by the state, and for which the peasants paid taxes. The seigniorial class had to superintend the system of justice, to provide police, and represent the interests of its vassals to the outside world, to protect them through its possession of arms, and to furnish military service on their behalf.

None of these concerns is relevant to the landowner in capitalist society. As differential rent, ground-rent is the product of competition; as absolute ground-rent, it is the product of monopoly. The fact that these accrue to the landowner is not due to the latter's exercise of any social function, but solely and simply due to the consequence of private property in land and soil.

In practice, ground-rent appears undivided: one cannot spot which parts are differential rent and which absolute ground-rent. In addition, they are also usually mixed up with interest on capital for expenses incurred by the landowner. If the landowner is the cultivator, ground-rent appeared as a portion of agricultural profit.

Nevertheless, the distinction between the two types of rent is crucial.

Differential rent arises from the capitalist character of production—not from private property in the land: it would continue even if the land were to be nationalised—as the land-reformers demand—but with the capitalist organization of agriculture
The Capitalist Character of Modern Agriculture

retained. The only difference would be that the differential rent would accrue to society rather than to private individuals.

Absolute ground-rent arises out of private property in land, and the conflicts of interest between landowners and the population at large. Land nationalization would facilitate its abolition, offering the opportunity to reduce the price of agricultural products.

The reason for this—and this is the second distinction between differential and absolute rent—is that the former is not an element in the determination of the prices of agricultural products, whilst the latter most certainly is. Differential rent is the product of prices of production, absolute ground-rent of the excess of market-prices over prices of production. The former is constituted out of the surplus, the extra-profit, obtained via the greater productivity of labour on better land, or in a more advantageous location. The latter, in contrast, owes nothing to any additional yield by certain sections of agricultural labour, and as a consequence can only come about via a deduction, which the landowner makes from the values available, a deduction from the mass of surplus-value implying either a diminution of profit or a deduction from wages. If food prices and wages rise, the profit of capital will fall. If prices rise without a proportional increase in wages, then it is the workers who will suffer.

Finally, it can happen—and it usually does—that workers and capitalists share the loss imposed on them by absolute ground-rent.

Fortunately, there are limits to how much absolute ground-rent can be increased. We referred above to the fact that landowners can’t fix its level just as they might wish. Until recently, like differential rent, it was steadily rising in Europe due to the growth in population which accentuated the monopoly character of landownership. Foreign competition has now broken this monopoly to a considerable extent. With the exception of a few districts in
England, there is no reason to suppose that differential rents in Europe have suffered from this foreign competition. No poor land has been taken out of cultivation: even the worst land is still cultivated. At most the type, but not the intensity, of cultivation has changed.

Absolute ground-rent has fallen, however—the main beneficiaries being the working classes. The substantial improvement in their standard of living since the 1870s is basically attributable to the drop in absolute ground-rent (and, in addition, to the strengthening of the political and economic power of the proletariat which has prevented the capitalist class from deriving the sole benefit from this development).

These benefits have to be set against a number of disadvantages. Falling ground-rent has led to crisis in agriculture which, unlike industrial or commercial crises, is chronic in character, especially in those areas where, as in most countries, the landowner and farmer are one and the same individual, so that a loss to the landowner is also a loss to the farmer, and in areas where ground-rents are fixed in the price of land.

Private property in land, which, through the mechanism of increasing ground-rent was one of the most prolific sources of the impoverishment of the working classes before the emergence of foreign competition, is now a source of the impoverishment of the landowner and farmer. Any attempt to block either source simply induces the other to flow more freely.

The Price of Land

Where land is overwhelmingly in private hands and used to produce commodities, the individual pieces of land themselves become commodities. And if the means of production become capital, it is only natural to regard land as capital as well. But this is far from being the case. No matter how often land is termed capital, the landowner will not be a penny richer. Although the
landowner's property has become a commodity, with a definite price and market-value, it is subject to quite different laws to those which normally govern the value of commodities. Land is not a product of human labour, and its price is therefore determined neither by the labour necessary for its production, nor by its costs of production. It is determined by ground-rent. In capitalist society the value of a plot of land, or an estate, equals that of a stock of capital whose interest-yield is the same as the ground-rent from the plot. The market-value of the land is equal to the size of this capital. This market-value is determined on the one hand by the level of ground-rent, and on the other by the "customary" rate of interest.

Interest on capital is that portion of profit which a capitalist entrepreneur pays to the owner of capital in return for having this sum at his disposal; or alternatively, that portion of profit which the capitalist can enjoy merely by virtue of owning capital, without any obligation to exercise any entrepreneurial role in trade or industry. This occurs both in loan capital, and joint-stock capital. We are not concerned here with the forms of primitive loan capital and its activity outside the sphere of production.

As with rates of profit, rates of interest on capital also tend towards a uniform level. All things being equal—risk and so on—fresh capital will be attracted by a higher than average rate, and flow away from a lower than average rate. In fact, "the rate of interest, whether it is the average rate or the market rate of the time, appears as something quite different from the general rate of profit, of a uniform, definite and palpable magnitude" (Marx, *Capital*, II, p. 487).

The equalization of the rate of interest also takes place more swiftly than in the case of the rates of profit. The latter occurs through changes in the overall national process of production, through increasing production in some areas and reducing it in others. Money capital has a less stressful method of equalizing the
rate of interest, executed with a mere wave of the hand. On the market where capital investments are bought and sold, a higher valuation is given to those which yield a higher than average rate of interest, whilst investments yielding a lower rate are valued correspondingly lower. A share bought for £200 bearing a dividend of 10 per cent will sell for £400 if the customary rate of interest is 5 per cent, regardless of the value of the means of production which it represents.

Land is treated exactly like a capital investment and valued in accordance with the level of ground-rent it pays to its owner.

In treating land as capital, economists nevertheless overlook a number of important differences.

The above-average rates of interest obtained by a sum of money capital invested in an industrial enterprise are no more permanently sustainable under free competition—that is, disregarding the type of monopoly found in railways, mines and so on—than above-average rates of profit. The valuation of a capital investment above its price of production can, therefore, only be a temporary phase.

This does not, however, apply to the price of land: as we saw above, land, as such, does not have a price of production. A general fall in the rate of interest has no effect on the market value of money capital, but it does affect the market value of land. A piece of land yielding a ground-rent of £6,000 would be worth £100,000 if the rate of interest were 6 per cent, but £150,000 if the rate were 4 per cent. In contrast, it would be absurd to expect that a sum of loan or share capital of £100,000 presently paying 6 per cent would become worth £150,000 if there were a general fall in the rate of interest to 4 per cent. What would usually happen is that it would stop paying 6 per cent as a result of a conversion of assets or of increased investment in the field concerned, and start paying 4 per cent, retaining its value of £100,000. A general fall in the rate of interest increases the market value of land, not of money capitals.
It is, of course, possible that capital is also invested in land, and this is usually the case in capitalist countries. But this merely complicates matters without fundamentally changing them. Where this is the case, the share of the landowner in the agriculture surplus-value will not simply consist of ground-rent but also interest on capital, and the price of land will include, in addition to capitalized ground-rent, capitalized interest on capital, which under normal circumstances is the capital itself.

Interest on its own cannot explain the price of land, since land which contains no capital, indeed even land which is totally uncultivated, still has a price if the capitalist mode of production is sufficiently developed. This represents the second distinction between land and capital. The value of a stock of money capital is measured on the capital market according to the interest which it actually yields; the price of a piece of land is measured by the ground-rent which it could yield.

A third distinction can also be found: those means of production created by human labour are subject to wear and tear—both materially and, as a result of new inventions, morally. Sooner or later they cease to exist; they must be constantly renewed. In contrast, the soil is eternal and indestructible, at least from the standpoint of human society.

It would be ridiculous for the owner of an industrial enterprise not to operate it, to leave it unutilized. But this is by no means ridiculous for the landowner if ground-rents are rising (especially in the towns): in fact, where this is the case, it is often extremely profitable to keep a piece of land out of use.

All these distinctions are obscured if land is termed capital. Despite this, many economists still insist on this identity. For Brentano, for example, the proof is the fact the capital is invested in land, and that Rodbertus characterized an urban building as capital, "despite the fact that the land on which the building is erected is a monopolized gift of nature. Therefore, land is now
capital. It is distinguished from other capitals solely by being a monopolized gift of nature in limited supply. This applies not only to agricultural land, but also to that used for dwelling or for industrial purposes, and is also the case for waterfalls, mines, railways and the like” (Brentano, Theoretische Einleitung in die Agrarpolitik, p. 13). This does not, of course, prove that the land is capital, but rather that urban land, waterfalls and mines yield a rent. A highly active imagination is certainly required to include railways amongst the “gifts of nature”. As Dogberry says: “to be a well-favoured man is the gift of fortune; but to read and write comes by nature”.

One can call land “capital” as often as one likes—it will not make the landowner into a capitalist.

In assessing the price of an estate a number of other factors, apart from ground-rent, come into consideration: aside from the “ground-capital”, that is capitalist ground-rent, there is the real capital advanced for the conduct of farming—building, equipment, live and dead stock. The market-value of this capital is calculated according to the price of production, less wear and tear.

An estate can also be combined with the provision of various luxuries, and this is in fact the rule as far as large-scale landownership is concerned. Such luxuries, which are utterly unrelated to production, naturally increase the price of land, but not the ground-rent. The higher the price of such luxuries, the lower the yield of the “ground-capital” will appear to be should their price be included the price of the land as a whole. To stay with our example, a piece of land yielding a ground-rent of £6,000 at a usual average rate of interest of 3 per cent will be worth £200,000. If the owner builds a castle on it requiring an outlay of £100,000, the market price of the estate will be set at £300,000. All this means, however, is that the “ground-capital” will merely pay 2 per cent interest—much lower than conventional capital.
The modern capitalist tenant-system is less developed on the European mainland, in particular north of the Alps, than it is in England. In 1895 only 4,640,000 acres were cultivated by owner-farmers in England against 27,940,000 by tenants: 61,014 farms cultivated by their proprietors as against 459,000 by tenants.

Germany and France present a very different picture. Nevertheless, tenant-farming is on the increase. In the German Empire the number of farms held on lease increased from 2,322,899 to 2,607,210 between 1882 and 1885, with a reduction in the number of unleased farms from 2,953,445 to 2,951,107. In France the situation was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner-farmer</th>
<th>Tenant-farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1882</td>
<td>3,525,342</td>
<td>1,309,904</td>
</tr>
<tr>
<td>1892</td>
<td>3,387,245</td>
<td>1,405,569</td>
</tr>
<tr>
<td>Increase (+) or decrease (−)</td>
<td>−138,097</td>
<td>+95,665</td>
</tr>
</tbody>
</table>

Tenant-farming is even on the increase in the United States.

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner-farmer</th>
<th>Tenant-farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>2,984,306 (75%)</td>
<td>1,024,601 (25%)</td>
</tr>
<tr>
<td>1890</td>
<td>3,269,728 (72%)</td>
<td>1,294,913 (28%)</td>
</tr>
</tbody>
</table>

In the old North Atlantic states of the Union there is not only a relative but, as in Europe, and absolute decrease in owner-farming.

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner-farmer</th>
<th>Tenant-farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>584,847</td>
<td>111,292</td>
</tr>
<tr>
<td>1890</td>
<td>537,376</td>
<td>121,193</td>
</tr>
<tr>
<td>Decrease (−) or increase (+)</td>
<td>−47,471</td>
<td>+9,901</td>
</tr>
</tbody>
</table>

None the less, proprietor farms are still the dominant form of agriculture in all these countries. Capitalist agriculture only began
to become significant once urban capital, and hence the credit
system, had become well developed. This provided a second way
for agriculture to obtain capital: through raising *loans*, either as
personal credit or a loan against property, a mortgage bond. We
are only concerned with the latter here. The landowner takes out
a mortgage—that is, pledges the ground-rent—in order to obtain
money for necessary improvements, to buy livestock, machinery
and synthetic fertilisers.

Under the system of capitalist tenant-farming—the lease-
system—the three great categories of income in capitalist society
appear sharply demarcated. The owner of the land and the owner
of the other means of production, the capitalist, are two separate
individuals, both of whom confront the wage-labourers exploited
by the capitalist. The worker receives a wage, the capitalist the
profit on enterprise, and the landowner ground-rent. The latter is
utterly superfluous as far as the actual practice of agriculture is
concerned, neither working administratively nor commercially
as the capitalist entrepreneur does. Their sole activity consists in
collecting as high a rent for the land as possible and then consuming
it in the company of their parasites.

The mortgage system makes matters somewhat less clear and
straightforward, but does not fundamentally alter the final
outcome.

The division between the landowner and the entrepreneur—
albeit hidden behind particular juridical forms—is still there. The
ground-rent which accrues to the landowner under the lease system
ends up in the pocket of the mortgage creditor under the mortgage
system. As the owner of ground-rent, the latter is consequently
the real owner of the land itself. In contrast, the nominal owner of
the land is a capitalist entrepreneur who collects the profit on
enterprise and ground-rent, and then pays over the latter in the
form of the interest on the mortgage. If the business fails, and the
entrepreneur is no longer able to pay the ground-rent due, then
this entrepreneur has no more claim to remain on the land than a
leaseholder who ceases to pay rent. In fact, the mortgage creditor
often has the power to drive difficult farmers out of their homes
and farms by calling in the mortgage in precisely the same way
that the landowner can give notice to the tenant. The difference
between the lease system and the mortgage system is simply that in
the latter the actual owner of the land is termed a capitalist, and
the actual capitalist entrepreneur a landowner. Thanks to this
confusion, our farmers, who actually exercise capitalist functions,
tend to get very indignant about exploitation by “mobile
capital”—that is, the mortgage creditors who in fact play the same
economic role as the landowner under the lease system.

Mortgage indebtedness is rising rapidly in all countries with a
long history of cultivation.

In Prussia the total of new burdens on rural properties exceeded
redemption by:

<table>
<thead>
<tr>
<th>Marks (000,000)</th>
<th>1886/87</th>
<th>113</th>
<th>1891/92</th>
<th>207</th>
</tr>
</thead>
<tbody>
<tr>
<td>1887/88</td>
<td>88</td>
<td></td>
<td>1892/93</td>
<td>209</td>
</tr>
<tr>
<td>1888/89</td>
<td>121</td>
<td></td>
<td>1893/94</td>
<td>228</td>
</tr>
<tr>
<td>1889/90</td>
<td>179</td>
<td></td>
<td>1894/95</td>
<td>255</td>
</tr>
<tr>
<td>1890/91</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This reveals an increase of 1.5 billion within the space of a few
years!

This rapid increase is a sign that the same process which has
already advanced to such a degree in England is now making
headway everywhere, although perhaps in different form: the
separation of the cultivator from the ownership of land.
Nevertheless, the farmer is still a long way from being a
proletarian—just as the English tenant-farmer is no proletarian.
As with the tenant-farmer, the German cultivator continues to
own the means of production, apart from the land (our concern
The increase in mortgage indebtedness is not necessarily a sign of agricultural distress. It can arise from this—the need to improve and raise the standard of farming is not the only cause of indebtedness. We shall encounter these other causes later. However, progress and prosperity in agriculture will inevitably express itself in an increase in mortgage indebtedness, first because such progress generates a growing need for capital, and secondly because the extension of agricultural credit allows ground-rents to rise.

[...]

KARL KAUTSKY

Large and Small Farms

The Technical Superiority of the Large Farm

The increasingly capitalist character of agriculture brings with it a growing qualitative difference in the techniques used by large and small farms.

Leaving aside the plantation system, and similar forms of agriculture which are not our concern here, such a distinction did not exit in pre-capitalist agriculture. The feudal lords cultivated their land using human and animal labour-power and the implements of their servile peasants. The lords' own contributions were meagre and their means of production not superior to those furnished by the peasant. The fact that they had more hands merely reflected the greater requirements of their household, and had no influence on methods of cultivation. Moreover, the lord was not distinguished from the peasant through possession of a solid tract of land. As with the peasant, the lord's land lay scattered in small lots amongst the open fields (Fluren), and was subject to the same communal obligations (Flurzwang). As we have already noted, the only distinction between the peasant's farm and that of the lord was the fact that the latter was tilled by unwilling, forced labourers, whose main concern was to lessen the strain on themselves and their animals as much as possible. The cultivation of the lord's land therefore involved an enormous waste of both labour-time and the means of labour. This changed once feudal services were commuted and the land-holder became the free owner of the land: holdings were consolidated as much as was possible, and cultivated using the owner's implements, stock and wage-labourers—in accordance with a plan of their own devising. The large farm acquired a very different aspect to the small: thereafter,
it was the small farm which wasted labour-time and the means of labour.

Inevitably the distinction between the large and small farm initially made its appearance in the house and homesteads, in the household, which took on a greater significance once it began to produce using its own animals, implements and wage-labourers.

One of the most important differences between industry and agriculture is that, apart from a few rudimentary forms, the industrial factory and the household are entirely separate establishments, whereas in agriculture the household and the economic unit constitute one solid entity. No agricultural establishment exists without its corresponding household. And turning this proposition around, one can also say that in the countryside all independent households practice agriculture.

We scarcely need to prove that the larger household is superior to the small when it comes to saving on labour and materials. If we compare a large estate occupying the same areas as 50 small peasant plots, a single kitchen and stove is set against 50 kitchens and 50 stoves in the smaller farms: five cooks as against 50. A need to heat perhaps five living-rooms in winter as against 50. The larger estate can buy its oil, chicory-coffee and margarine wholesale—whereas the smaller has to buy retail.

If we leave the house and go out into the farmyard, we find a stall for 50-100 cows on the large farm, against the 50 stalls, each for 1-2 cows, on the small farms: with one barn and one well in place of 50. Walking a little further, we discover fewer roadways—peasants cannot make use of light railways at all—leading from the farmyard to the field, fewer hedges and fences and fewer borders.

The smaller the plot, the greater the length of its boundaries in relation to its surface area. Boundary length per *are* (=100 sq.m.) for the following plots would be as follows:
Fencing 50 plots of 20 ares requires seven times more fencing material, and seven times more labour than one plot of 10 hectares.

On the assumption that the boundaries of each plot was 20 centimeters wide, the total amount of land rendered unproductive per are for the following land areas would be as follows:

<table>
<thead>
<tr>
<th>Total area (hectares)</th>
<th>Area lost per are (square metres)</th>
<th>Area lost per are (square metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>0.25</td>
<td>1.60</td>
</tr>
<tr>
<td>5</td>
<td>0.36</td>
<td>2.53</td>
</tr>
<tr>
<td>1</td>
<td>0.80</td>
<td>3.58</td>
</tr>
<tr>
<td>0.5</td>
<td>1.113</td>
<td>8.00</td>
</tr>
</tbody>
</table>

Demarcating a plot of 10 hectares loses a mere 2.5 are, but 50 plots each of 20 are will mean a loss of 18 are to cultivation. The longer the boundaries of a plot, the greater the seed-loss over the border which will inevitably occur in hand-sowing—and hence the greater the amount of labour needed to work the plot. According to Krämer,

The cultivation of the soil with plough, extirpator, harrow, roller, horse-drawn hoe and ridging plough, and sowing it by machine incurs more costs for the same area the smaller the plot. This increase in expenditure on small plots is based on an accumulation of losses of time which accompany the cultivation of the land. Such losses regularly occur on turning round at the head of fields and in working across an edging strip on the narrow side of the plot (the margin, etc.) whose
width varies with the length of the strip and in the hand-tilling which has to be done in those corners not reached by the cultivation of the margin. (Goltz, Handbuch der Landwirtschaft, I, p. 198)

The 50 peasant plots also require 50 ploughs, 50 harrows, and 50 carts where the larger holding can manage with far fewer—perhaps a tenth—of this number. With the same type of farming, the large farm can therefore save on its overall inventory. This can be seen in the statistics for agricultural machinery. One of the few machines which is almost as accessible to the smaller farm as to the larger is the threshing machine. In 1883 the following numbers of threshing machines were in use per 1,000 hectares of land on farms of the following size: 2–100 hectares, 2.84 steam threshers and 12.44 other types of thresher; above 100 hectares, 1.08 steam threshers and 1.93 other types of thresher. No one could sensibly want to attribute this difference to the fact that the threshing machine is more widespread on small farms than on large farms.

Despite the saving on equipment with the same techniques, the larger farm’s stock of machinery and equipment may be relatively as well as absolutely larger than that of the small farm, since in practice its farming techniques do not remain the same. A number of implements and, in particular, machines can only be used profitably in large-scale farming: the peasant cannot make thorough use of them.

Krafft’s theory of farm management specifies the following farm sizes at which various machines can be fully exploited:

<table>
<thead>
<tr>
<th>Machine</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horse-drawn plough</td>
<td>30 ha. arable land</td>
</tr>
<tr>
<td>Seed-drill, reaper, gin-thresher</td>
<td>70 ha. arable land</td>
</tr>
<tr>
<td>Steam thresher</td>
<td>250 ha. arable land</td>
</tr>
<tr>
<td>Steam plough</td>
<td>1,000 ha. arable land</td>
</tr>
</tbody>
</table>
Electric power is also only profitable on large farms.

For the time being it looks as if the electric transmission of power is ruled out as a means for raising the net yields of all types of agriculture establishment, in particular the small ones. The benefits are questionable even on estates with 600 acres of arable land. *Beneficial effects only begin to be evident on still larger farms.* (Kottgen, *Thiels Landwirtschaftliche Jahrbücher*, XXVI, Vols 4–5, p. 672)

These figures can be seen in their true light when one considers that out of the 5,558,317 agricultural establishments in the German Empire in 1895, only 306,828 covered more than 20 hectares, and only 25,061 more than 100 hectares. The vast majority of agricultural establishments are so small that they cannot even make adequate use of the horse-drawn plough, let alone machinery.

In 1894 the government of the United States commissioned a number of consular reports on the prospects for the sale of American agricultural machinery abroad. The reports from countries with small-scale land-ownership such as Belgium and France and districts of Germany like Hess and Wurttemberg were unanimous: farms were too small to allow the application of machinery or even improved implements. US Consul Kiefer, reporting from Stettin, stated that Americans would regard as laughable the local practice of splitting wood with axes no better than Indian tomahawks. Consul Mosher in Sonnenberg observed: “Agricultural implements in Thuringia are extremely crude. I recently noted some old wood cuts depicting agricultural scenes from the fifteenth century, and was surprised at the resemblance between the implements in the pictures and those prevalent today.” Modern equipment is virtually confined to the large ducal model estates. Consul Wilson’s report from Nice noted much the same in
the South of France: “In the interior the old Roman plough is still in general or frequent use—a device which merely scratches at the soil without throwing up furrows” (Reports from the Consuls of the United States on Agricultural Machinery, pp. 510, 524, 621).

In 1895 the use of machinery in the German Reich, by size of farm, was as follows (in per cent):

<table>
<thead>
<tr>
<th>Farm</th>
<th>Machinery in general</th>
<th>Steam ploughs</th>
<th>Seed drills</th>
<th>Reapers</th>
<th>Threshers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 2 ha.</td>
<td>2.03</td>
<td>0.00</td>
<td>0.46</td>
<td>0.01</td>
<td>1.08</td>
</tr>
<tr>
<td>2–5 ha.</td>
<td>13.81</td>
<td>0.00</td>
<td>1.29</td>
<td>0.06</td>
<td>5.20</td>
</tr>
<tr>
<td>5–20 ha.</td>
<td>45.80</td>
<td>0.01</td>
<td>4.88</td>
<td>0.68</td>
<td>10.95</td>
</tr>
<tr>
<td>20–100 ha.</td>
<td>78.79</td>
<td>0.10</td>
<td>17.69</td>
<td>6.93</td>
<td>16.60</td>
</tr>
<tr>
<td>100 and over</td>
<td>94.16</td>
<td>5.29</td>
<td>57.32</td>
<td>31.75</td>
<td>61.22</td>
</tr>
</tbody>
</table>

The large farm is far ahead in terms of the use of machinery in every respect. Apart from the threshing machine, small farms’ use of machinery is negligible.

The same basic situation also applies in the case of the animal, human or other motive power used to propel or steer machines, tools and implements. The small farm requires much more effort to achieve the same useful effect for a given area, and cannot make as full or efficient use of these resources as the large farm. The 50 ploughs and 50 carts which our 50 small peasant farms own also need 50 draught animals and 50 drivers: in contrast the 5 ploughs and carts of the large farm will only need 5 teams of animals and 5 drivers. Of course, the dwarf-holding will only have 1 cow each per plough, whereas the plough on the large farm will be drawn by 4 horses—but this does not represent any advantage for the small farm. The double plough with one operator and 3 horses can do the same work as 2 simple ploughs each with 2 horses. The three-furrow plough, driven by 1 operator and drawn by 4 horses, can perform the same work as 3 simple ploughs with their 3 operators and 6 horses.
Large and Small Farms

According to Reuning (quoted in Roscher, Nationalökonomie des Ackerbaus), there were 3.3 horses per 100 acres of peasant holdings in 1860 in Saxony compared with only 1.5 on Junker estates. In the 1883 census, the distribution of farm animals in Germany per 1,000 hectares was as follows:

<table>
<thead>
<tr>
<th>Farm</th>
<th>Horses</th>
<th>Oxen</th>
<th>Cows</th>
</tr>
</thead>
<tbody>
<tr>
<td>2–100 hectares</td>
<td>111</td>
<td>101</td>
<td>451</td>
</tr>
<tr>
<td>over 100 hectares</td>
<td>75</td>
<td>60</td>
<td>137</td>
</tr>
</tbody>
</table>

The peasant's cow is not merely used for milk production and calving, but also serves as a draught animal. The large number of cows on small farms is largely attributable to the fact that peasants practice more stock-rearing and less grain production than larger farmers; however, this cannot explain the difference in the keeping of horses.

<table>
<thead>
<tr>
<th>On farms of (acres):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–5 5–20 20–50 50–100 100–300 300–500 500–100 over 1000</td>
</tr>
<tr>
<td>Horses</td>
</tr>
<tr>
<td>Cattle</td>
</tr>
</tbody>
</table>

In addition to savings on livestock, the large farm can also make more economic use of human labour power—as the example of the plough drivers showed—by making do with fewer cattle and fewer implements, by being able to use more labour-saving machinery, and by more rational arrangement of the shape and size of its fields.

Although the individual large farm requires relatively less living and dead stock and less labour-power relative to its surface area with the same type of cultivation, it naturally always uses absolutely more than the individual small farm—meaning simply that the large farm can take much better advantage of the benefits of the division of labour than the small. Only large farms are able to
undertake that adaptation and specialization of tools and equipment for individual tasks, which render the modern farm superior to the pre-capitalist. The same applies to breeds of animals. The dwarf-holder’s cow is a dairy animal, a draught animal and breeding stock; there is no question of choosing a specific breed, or of adapting the stock and feed to specific requirements. Similarly, the dwarf-holder cannot delegate the various tasks on the farm to different individuals. The ability of the large farm to practice this type of specialization confers a number of advantages. The large-scale farmer can divide the work into those tasks requiring particular skill or care, and those merely involving the expenditure of energy. The first can be allotted to those workers who display particular intelligence or diligence, and who will be able to increase their skill and experience by concentrating completely, or mainly, on a particular task. As a result of the division of labour and the greater size of the farm, the individual worker will spend longer on each job, and will therefore be able to minimize the loss of time and effort associated with constant switching of tasks or workplaces. Finally, the large-scale farmer also has access to all the advantages of cooperation, of the planned collaboration of a large number of individuals with a common objective.

An English farmer already drew attention to this as early as 1773. He pointed out that one farmer employing the same number of workers on 300 acres as 10 farmers each on 30 acres has the advantage in proportion of servants which will not so easily be understood but by practical men; for it is natural to say, as 1 is to 4, so are 3 to 12: but this will not hold good in practice; for in harvest time and many other operations which require that kind of despatch by throwing many hands together, the work is better and more expeditiously done: f.i. 2 drivers, 2
loaders, 2 pitchers, 2 rakers, and the rest at the rick, or in the barn, will dispatch double the work that the same number of hands would do if divided into different gangs on different farms. (Marx, *Capital*, I, p. 444)

Extending the farm allows individual tasks to be rapidly and properly executed by specialists: tasks which the small farmer could only do with difficulty and poorly, or which would require the attention of a distant specialist, often after a long wait and frequently in an emergency. Large farms can have their own smithy, saddlery and wheelwright’s shop for repairing and making simple equipment, tools and auxiliary materials.

However, the most important advantage which the large farm derives from the larger number of workers at its disposal is the division of labour between so-called hand-work and head-work. We have already drawn attention to the importance of scientific management in agriculture, how it alone allows planning, the avoidance of waste or depletion of the soil’s wealth and hence the attainment of maximum yields; and how only a scientifically trained farmer using rationally planned and accurately executed book-keeping can ascertain the crop rotation, fertilizers, machines, animal breeds and type of feed appropriate to the permanently changing exigencies of science and the market. Training in manual skills and training in science are two strictly separate activities, however. Only a scale of operations large enough to require the full-time employment of someone as manager and supervisor can make use of a fully trained scientific farmer.

There is generally an appropriate minimum scale for each specific type of agriculture. Under highly intensive farming, such as wine-growing, it can be as little as 3 hectares; with extensive farming, such as pasturage, it can rise to 500 hectares. On average, under Central European conditions, an intensively farmed holding
needs to be 80–100 hectares, and an extensively farmed holding 100–125 hectares to warrant the full-time employment of a person as manager.

In our view, this is the minimum size for equipping and running a farm according to scientific principles. But in 1895, Germany possessed only 25,061 farms with more than 100 hectares out of a total of 5,558,317! Small wonder that there is a noticeable shortage of rational agriculture! Goltz notes that the average yield is very low in comparison with the yields which could be obtained and which are obtained on poorer soils with more assiduous cultivation. With practical and experienced farmers, I think I can state without fear of contradiction that yields could be increased by 4–8 cwts per hectare through better cultivation. In fact, I believe the possibility for increasing yields to be considerably greater, but I have deliberately chosen this figure since it cannot be disputed by anyone well acquainted with this field. (Goltz, *Die ländliche Arbeiterklasse*, p. 165)

Taking this figure as basis, improved cultivation would mean that Germany could produce an additional 100 cwts of grain without any enlargement of the area under cereals. [...]

And other things being equal, the larger holding is superior to the small within the peasantry itself: and the same is true for all bigger farms up to certain limits which we deal with below. By contrast, to use Hegel’s terminology, a transformation of quantity into quality takes place at the boundary between peasant and large-scale farming, such that the peasant farm may be economically, if not technically, superior to the scientifically managed farm. The costs of scientifically trained management can easily overburden
a small estate—all the more so where the management has become more adept in the ways of the aristocracy rather than the ways of science, and where their abilities are in inverse proportion to their expectations. This apart, both the large peasant and the large estate are superior to their smaller counterparts—naturally everything else being equal.

The larger farm also enjoys a number of constructional advantages which can only be obtained when working with a large area—in particular irrigation and drainage. It is often completely impossible to drain a small area, and is not usually worth the effort. As a rule, only larger areas are drained. Meitzen recorded 178,012 morgen [1 morgen = two-third of an acre] of drained land on large farms in 1885, contrasted with a mere 20,877 on smaller farms. Light railways can also only be used on large interconnected areas.

The large farm is not only blessed with advantages in production: it also has number of advantages in the sphere of credit and commerce. In fact commerce reveals the superiority of the large farms with particular clarity.

It takes no more time to reckon with large figures than with small. It takes ten times longer to make ten purchases of £100 than one purchase of £1,000 . . . In commerce, in fact, far more than in industry, the same function takes the same amount of labour-time whether it is performed on a large or small scale. (Marx, Capital, III, p. 409)

Costs of transportation, particularly by rail, are also lower the larger the volume of goods shipped. Better terms can be had and better produce, by buying wholesale, than by buying retail; and an equal, or even larger profit can be obtained by selling wholesale, selling cheaper and undercutting the competition. The
large merchants not only have much lower costs in relation to turnover than the smaller: their grasp of what is happening on the market and their ability to dominate it is also greater. Although this primarily applies to the merchant proper, it is also true for the industrialist and farmer inasmuch as they have to buy and sell. Lack of market power and knowledge hits the small handicraft workers even harder than the small merchants: they cannot retain commercial staff and have to be their own merchant. Worst afflicted are the peasantry in their rural isolation. Their commercial knowledge is the most sparse; they are least able to make swift use of favourable opportunities, let alone to predict them, or to avoid unfavorable situations. At the same time peasant farming is more diverse than the activity of the town-dwelling handicraft worker, requiring many more individual types of labour and a great deal of sundry buying and selling. Apart from tools, the shoemaker only has to buy leather, twine and nails: the only products for sale are shoes. But in addition to tools, the peasant also has to buy in seed-corn, fodder and the artificial fertilizers—and sells stock, grain, milk, butter, eggs and so on. No one is more dependent on the presence of the merchant than the peasant.

This dependency is at its greatest and most pernicious where the trader doubles up as usurer, where the pressing need for money to pay taxes or debts forces the peasants to offload their goods at any price or to sell them before they are even ready for market.

It is at this point that we encounter a further aspect in which the large farm is superior: credit.

Chapter 5 showed how modern agriculture is impossible without capital, and that, in the absence of a system of leaseholding, the main means by which farmers acquire money is the mortgage. The farmer can also raise a personal loan or sell off one piece of the farm in order to cultivate the rest. This is not,
however, always possible, and it is often inadvisable, since by diminishing the size of the farm, the owners lose the advantage of scale. Not only that: they also forgo the prospect of any increase in the price of the separate plot through an increase in ground-rents or fall in the rate of interest. Personal credit and mortgages are therefore the main method for the acquisition of capital.

Mortgage credit tends to be used where fixed capital is involved (improvements, construction works—disregarding here any changes in ownership which may have prompted the mortgage indebtedness). Personal credit is more customary for circulating capital—fertilisers, seeds, wages and the like.

Indebtedness on the part of a landowner was once the result of an emergency: it represented an abnormal situation. In the capitalist mode of production it arises wherever the landowner and the farmer constitute a single juridical person: it is a necessity rooted in the production process itself. Indebtedness on the part of landowners is therefore now inevitable. And with it, the type of indebtedness of landownership has also become a fundamental factor in agricultural production.

Although this observation is true of both large and small farms, the former have a number of advantages when it comes to raising money. Finalizing and administering a mortgage of 200,000 Marks does not require proportionally more work than one of 2,000 Marks: 200,000 Marks lent to 100 different individuals is 100 times more costly in terms of labour than the same sum lent once.

Lafargue’s valuable study of small land-ownership in France, “Der kleine Grundbesitz in Frankreich” (Neue Zeit, I, p. 348), provides a striking example of how this works in practice:

The costs of a mortgage rise greatly in proportion to the total, the smaller the loan and the shorter the period for which it is made. The following are the rates of interest and the usual costs of a mortgage of 300 francs:

...
On a nominal loan of 300 francs the debtor receiving a mortgage loan in fact obtains a mere 251 franc and 50 centimes.

Matters are not radically different in Germany. The Annual Report of the Prussian Central Land Credit Institute for 1894—prepared in April 1895—reads:

Over the last few years we have made special efforts to ease access to credit for small and medium-sized landowners. The fact that these continue to be burdened with high-interest mortgages from individuals, foundations and banks rests on the fact that the land-credit institutes are rarely able to exempt the debtor from a standard charge even on the pledging of small plots, and the standard costs which have to be paid by the small borrower are out of proportion to the size of the loan. Two years ago we began to assist on this aspect through a system of flat rate charges: irrespective of the real costs to us, the borrower only pays 0.02 per cent of the sum applied for—

with a minimum charge of 30 Marks and a maximum of 300. For loans between 1,500 Marks—the minimum under our statutes—and 15,000 Marks, application and examination fees will only amount to the modest sum of 30 Marks.
This "social reform" therefore consists in deducting as much for a loan of 1,500 Marks as for a loan of 15,000 Marks! No loans at all are made below 1,500 Marks. The very small landowner is completely denied access to mortgage credit. They have the good fortune to avoid indebtedness altogether!

According to Meitzen’s 1884 study, large land-ownership in Prussia is more heavily burdened with mortgages than small land-ownership. Registered debts as a percentage of the estimated value of holdings (per holding by net property tax yield) were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 Thalers and more</td>
<td>53.8 per cent</td>
</tr>
<tr>
<td>100–500 Thalers</td>
<td>27.9 per cent</td>
</tr>
<tr>
<td>30–100 Thalers</td>
<td>24.1 per cent</td>
</tr>
</tbody>
</table>

This does not necessarily reflect the worse position of large landowners, but may lie in the greater difficulty which peasants have in obtaining mortgage loans. The peasant is therefore forced to rely on personal loans.

Personal loans are even more pernicious than mortgages, however. Large farmers sell their produce directly on the large-scale market: they remain in constant contact with the market and—if they are competent farmers—are therefore able to obtain credit in the economic centers where large masses of investment-seeking loan-capital accumulate, just as any industrialist or merchant.

The isolated peasant with only small amounts of produce does not reach the major markets. Business is transacted through an intermediary who lives in the nearest town, or who visits the peasant. Large-scale loan-capital remains unaware of the peasant’s commercial affairs. And nor does the peasant have a banker in the town with whom receipts could be deposited, and from whom credit could be obtained. The cash-strapped peasant has to approach the nearest rural capitalist, and since capitalists are generally few and far between in rural areas there is usually little choice in the matter. It might be the agent or middleman already
used by the peasant, the village innkeeper or a large peasant—people acquainted with the peasant’s circumstances, who have a not insignificant interest in this small traffic in loans and are eager to extract a substantial profit from the business. That they can do so rests on the fact that the demand for capital in rural areas far exceeds supply, that the peasant’s distress is usually considerable, and that the capitalist is therefore in a very strong position. Whereas capitalist development has enabled large landowners, at least the competent and efficient farmers among them, to shift from reliance on the usurer to modern production credit with a level of interest adapted to the current rate of profit, the peasant is still dependent on the medieval type of blood-sucking usurer, who squeezes out what he can, whose interest is utterly out of proportion to the rate of profit, and who instead of fostering production simply undermines the existence of the debtor. The capitalist mode of production compels both peasant and large landowner to run into debt; but the small size of the peasant’s enterprise often leaves him/her still entrapped within the manifestations of the medieval debt system, a system utterly incompatible with the needs of capitalist production.

Weighing up all the advantages enjoyed by the large farm—the smaller losses of cultivated areas, savings on living and dead inventories, the fuller utilization of these inventories, opportunities for using machinery denied to the small farm, the division of labour, scientifically trained management, commercial superiority, easier access to money—it becomes difficult to understand how Prof. Max Sering can claim so emphatically that:

There is not the slightest doubt that any branch of cultivation can be conducted on medium and small farms just as rationally as on large, and that in contrast to industrial development, the growing intensity of cultivation has given a definite
advantage to the smaller unit. (Sering, Die innere Kolonisation im östlichen Deutschland, p. 91)

On this argument one might have expected Sering to demand the forced dismemberment of large estates. But this conclusion somehow eludes him. Directly after the above he declares:

The simple consequence of the fact that the large landowner is in the van of agricultural progress is that serious damage would be done to our development were large-scale farming in the East to cease entirely. Such absolute leveling-down never does any good: diversity is the precondition for all development. Not only their political but also their economic achievements render the continued existence of our Eastern landed aristocracy a national necessity.

So, the small farm is superior to the large as far as rational cultivation is concerned, irrespective of the particular branch—and all the more so, the more intensive cultivation becomes. Yet the economic achievements of the East Elbian estates make their continued existence a national necessity.

[...] 

Overwork and Underconsumption on the Small Farm

Small farms have two major weapons to set against the large. Firstly, the greater industriousness and care of their cultivators, who in contrast to wage-labourers work for themselves. And secondly, the frugality of the small independent peasant, greater even than that of the agricultural labourer.

John Stuart Mill, one of the most passionate champions of small-scale cultivation, drew attention to the fact that its most notable feature was the unremitting toil of its labourers. Quoting Howitt he writes:
They labour busily early and late because they feel they are labouring for themselves. They plod on from day to day, and year to year—the most patient, untirable and persevering of animals. It would astonish the English common people to see the intense labour with which the Germans earn their firewood.

He goes on to refer to the "almost incredible toil" of the small peasants, which makes a powerful impression on all observers. Whether the impression made by such observations on people as "the most patient and indefatigable of all beasts of burden" was also an elevating one, is certainly doubtful (Mill, Principles of Political Economy, p. 226–68).

The small peasants not only flog themselves into this drudgery: their families are not spared either. Since the running of the household and the farm are intimately linked together in agriculture, children—the most submissive of all labour—are always at hand! And as in domestic industry, the work of children on their own family’s small peasant holding is more pernicious than child wage-labour for outsiders. “Child and women’s labour”, writes a reporter from Westphalia, “in outside service is quite rare, and not associated with any particular drawback: in fact, it has an evidently beneficial effect. However, children are sometimes so overworked by their own parents that the unfavourable effects could still be observed at subsequent military recruitment.” Another observer wrote in a more appeasing tone: “The employment of children to a degree sufficient to warrant anxiety takes place at most (!) by their own parents, and contrasts with those children put out to work for the Heuerlinge in return for food and clothing” (Karger, Verhältnisse der Landarbeiter in Nordwestdeutschland, pp. 83, 122). How reassuring!

It takes a very obdurate a admirer of small-scale landownership to see the advantages derived from forcing small
cultivators down to the level of beasts of burden, into a life occupied by nothing other than work—apart from time set aside for sleeping and eating.

Of course this obsessional drive to work is not innate to peasants. The numerous holidays of the Middle Ages are sufficient testimony to this—and many such holidays are still retained in Catholic areas. Roscher noted one district in Lower Bavaria with 204 holidays each year (including 40 consecration days and post-consecration days, 12 days target-practice and so on), and where work stops at 4pm! The demand for an eight-hour working day for 300 days a year seems quite modest in comparison!

Overwork begins once labour for the producer’s immediate consumption turns into labour for the market, impelled by the goad of competition. Competing through lengthening working time always goes hand in hand with technical backwardness. The latter generates the former—and vice versa. An enterprise which cannot fight off the competition through technical innovation is forced to resort to the imposition of even greater demands on its workers. Conversely, an enterprise in which the workers can be pushed to their limits is much less exposed to the need for technical improvements than one in which workers place limits on their exertions. The possibility of prolonging working-time is a very effective obstacle to technical progress.

Opportunities for the more intensive use of child-labour also work in the same direction. We saw above that rational agriculture is impossible without a good deal of scientific knowledge. Although the middle and higher agricultural training schools cannot provide a substitute for a proper college education in the natural sciences and economics, they nevertheless enable those peasants who do receive training to practice if not the most rational, then at least more rational farming than peasants who lack such learning. However, the need to exploit family members as young as is feasible, and as productively as is possible, represents an
immovable obstacle to the need for a higher level of knowledge. In fact, there are some areas, in particular in Austria and Bavaria, where compulsory school attendance to 14 is too much for the local peasantry: they either clung tenaciously to the lower limit of 12 or 13, or campaign vigorously for its introduction.

The more agriculture becomes a science, and hence the more acute the competition between rational and small-peasant traditional agriculture, the more the small farm is forced to step up its exploitation of children and undermine any education which the children might acquire.

The overwork of the small independent farmers and their families is not therefore a factor which should be numbered amongst the advantages of the small farm even from a purely economic standpoint, leaving aside any ethical or other considerations.

The situation is no better when we turn from the peasant’s industriousness to the peasant’s frugality.

One disadvantage suffered by the large farm is its need to pay for “workers by brain”, as well as manual workers, the former having much higher expectations than the latter. It also has to grant its manual workers a higher living standard than that tolerated by the small peasant. The same property which drives the peasants to work so much harder than the propertyless wage-labourers also forces them to lower their demands on life to a minimum, lower even than the standards expected by wage-labourers.

Again, this is not intrinsic to peasant farming or the peasant economy. The holiday-filled Middle Ages also saw the peasant enjoying an agreeable level of well-being, which, as we saw above, did not exclude plentiful food and drink. And where such medieval conditions, or at least traditions, have continued, peasants have been spared the miserable fate of their counterparts elsewhere.

The niggardliness of the peasants begins when their farms fall
under the sway of competition—a phenomenon revealed most clearly in the case of the French peasantry which has been longest exposed to the effects of free competition as free private independent landowners.

An English observer writing in the early 1880s commented that he could not imagine a more miserable existence than that led by the French peasant. Their houses were more like pigsties:

There was no window, just two panes over the door which could not be opened; there was neither light nor air unless the door was open. No shelf, no table, and no cupboard were visible; the floor was littered with onions, dirty clothes, bread, sacks and an indescribable heap of rubbish. At night men, women and children, and cattle, slept in a chaotic heap. This lack of comfort was not always the result of poverty: these people had lost any sense of decency. Their only thought was that of saving on fuel.

The same author goes on to note how the peasants' carefulness soon degenerates into meanness: they seem even to lose utterly any capacity for pleasure, and as long as they can save a sou, they are indifferent to any enjoyment and comfort in life.

Not one book or newspaper was in evidence, no picture or wood-cutting adorned the walls, not a fragment of porcelain, not one ornament, not one good item of furniture, no wall-clock—the pride of the English farmhouse. You cannot imagine a life so totally devoid of progress and comfort. Every penny is grudged—even that spent on the most essential articles. The result is a stingy, miserable, repugnant existence, whose only ideal consists in stuffing as many sous as possible into an old sock.
Notwithstanding this, conditions are not much better on English small farms. The most recent report of the Royal Commission on Agriculture (1897) reveals how their owners and tenants live and work. For instance: “All around here [Cumberland] the farmers’ sons and daughters work for nothing. I do not know one case where a father pays his sons’ and daughters’ wages. They give their sons a shilling or two to buy tobacco” (p. 357). A small-holder from Lincoln reported:

I have brought up a family and nearly worked them to death. They said, “Father, we are not going to stop here and be worked to death for nothing”, so they went off into shops and left me and the old women to struggle along.

Another: “I and my three boys . . . have been working 18 hours a day for several days, and average 10–12 during the year. I have been here 20 years and have just been scraping along. Last year we lost money. We eat very little fresh meat.” A third: “We work much harder than labourers, in fact like slaves. The only advantages we get is being our own masters. We live very carefully, just keep going” (p. 358).

Mr. Read, reporting to the Commission on the condition of the small farmer, noted:

I say that the only way in which he can possibly succeed is this, in doing the work of two agricultural labourers and living at the expense of one. As regards his family, they are worse educated and harder worked than the children of the agricultural labourer. (p. 34)

The picture is only slightly less gloomy in areas specializing in fruit and vegetable growing, or where alternative employment is available.
Many parts of Germany tell a similar story. A report from Hesse published in *Die Neue Zeit* reads:

The small peasant passes the most miserable existence imaginable. *Agricultural day-labourers are much better off in comparison*, since—as they put it—they "attend along with their mouths", that is, they get their food. Their incomes are not prey to the moods of the weather, apart from the fact that the food is poorer during bad weather.

One reason suggested for the day-labourer's better diet is that, "the only means of getting good workers is to offer good food". The staple diet consists of potatoes.

The small peasants' dwelling are poor in the extreme; their houses are usually built of wood and loam, are clumsily put together and *have recently been very neglected*. The house is also poorly furnished—a table, a bench, a few chairs, a bed with a curtain—a four-poster—and a cupboard usually make up their total wealth.

One example of how the peasant art of starving can lead to the economic superiority of the small farm is illustrated by Buchenberger. He compared a large peasant holding of 11 hectares and one of 5.5 hectares in the Bischoffingen district of Baden. Unusual circumstances forced the larger to rely exclusively on wage-labourers—a highly unfavourable state of affairs, since the farm was too small to balance the disadvantages of wage-labour with the advantages of the large farm. The smaller farm was cultivated solely by the owner and family (husband, wife and six grown children). The larger farm tuned out a deficit of 933 Marks, the smaller a surplus of 191 Marks. The main cause of the difference lies in the better diet of the wage-labourers on the large farm—
worth almost a Mark per day per head, whereas on the farm on which the family was lucky enough to be able to work for itself, the value of the diet amounted to a mere 48 Pfennig per head, per day, barely half what the wage-labourers consumed (Verein für Socialpolitik, Bäuerliche Zustände in Deutschland, III, p. 276). If the peasant family on the small farm had eaten as well as the wage-labourers on the large farm, they would have had a deficit of 1,250 Marks instead of the 191 Marks surplus. Their profit was not the result of a full barn, but an empty stomach.

This picture is complemented by a report from Weimar.

The fact that forced auctions are not more common, despite all this inefficiency, can be simply explained by the fact that our small peasants are accustomed to tolerating an unbelievable amount of privation in return for their independence. Such peasants represent an entire class for whom fresh meat, which the estate worker must have twice a week at least, only appears on the table on high feast days, and for whom fresh butter is a delicacy. As long as smallholders refrain from shackling themselves to their own land, and stick to hiring themselves out as day-labourers, they can be reasonably well off: their misery begins when they take up their own plough. (Ibid., I, p. 92)

Yet another instance of the wage-labourer on large-farms being better off than the independent owner of the small farm.

Finally, let us note some comments by Hubert Auhagen in his paper on large-scale and small-scale enterprises in agriculture. Auhagen compared two farms, one of 4.6 hectares and one of 26.5 hectares as far as their profitability—not labour-productivity—was concerned. He calculated that the small farm was the more profitable.

How did this come about? On the small farm the children help: on the large farm they cost money. "The small peasants
receive a substantial amount of help as soon their children are grown. *Child-labour often begins as soon as the children can walk.*

The small farmer in Auhagen’s case study used his children on the farm, even those as young as seven. Annual spending on schooling was 4 Marks. The larger peasants send their children to school: a 14-year-old son studying at grammar school cost 700 Marks a year alone—more than the total household expenditure of the entire family on the small farm. So much for the superiority of the small farm!

In addition to the young members of the family, the oldest also have to put in their diligent contribution. “I have often found older members of the family, more than 70 years of age, who were able to replace a full-time worker, and who naturally made a major contribution to the welfare of the farm.” Of course, the able-bodied slaved extraordinarily hard.

The average day-labourer, especially on a large farm, normally thinks: “if only it were finishing time”. The small peasant, at least when there is pressing work to do, hopes that the day might last just a few hours more.

If a particular time is especially favourable for carrying out a particular task, as is very often the case in agriculture, the small farm can make better use of the moment by getting up *earlier* and working *longer*, and more *swiftly*, than the larger holding, whose workers will not get up earlier, or work better or longer than on any other days.

This extreme drudgery also brings its own reward: the peasant can manage under the most miserable conditions. Auhagen speaks with admiration of a peasant in the Deutsch-Kroner area who inhabits a clay-built cottage, 9 metres long and 7.5 metres
broad. There is a door in the middle of the house leading directly into the living room. This living room also serves as a bedchamber in which husband and wife, and the four children all sleep. This room leads on to a small kitchen and from there into the maid's room, the only outsider on the farm. *This is the best room in the house*, since the maid wants the same standard as she can have anywhere else. The house cost 860 Marks to build. Only the head carpenter, joiner and stove-fitter were paid. Everything else was done by the family and relatives. The woman had been married for 17 years, and had only just started to wear a pair of shoes; summer and winter, she went barefoot or wore clogs. She wove her own clothes and those of her husband. Their diet consisted of potatoes, milk and *very occasionally a herring*. The man smoked a pipe of tobacco only on a Sunday. These folk were not aware that they lived especially simply (simple is good!) and did not affect dissatisfaction with their lot. Living under this simple regime, these people managed a small surplus nearly every year. When I asked them the value of their farm, they answered that it would not be for sale for under 8,000 Marks.

What an uplifting hymn of praise to the benefits of the small farm, which even under the "simplest" of circumstances—that is, the dirtiest and most degrading misery—still manages to produce a surplus! The rural wage-labourers at least regard themselves as human beings, not mere beasts of burden, have higher needs than the small peasants, and represent a higher level of general culture. So away with wage-labourers—that is, with the large farm—and long live the infinitely superior small farm!

We have to confess that as far as we are concerned the sub-human diet of the small peasant is no more an advantage of the small farm than its superhuman industriousness. Both testify to
Large and Small Farms

Economic backwardness, and both represent obstacles to economic progress. In this manner, small-scale land-ownership has become a means for the creation of a “class of barbarians standing half outside society, combining all the crudity of primitive social forms with all the torments and misery of civilized countries” (Marx, Capital, III, p. 949). It is of course, easy to see why conservative politicians want to preserve this barbarism as the last refuge of capitalist civilization.

The greater care taken by peasants in their work is less ruinous for them than their drudgery and excessive frugality. Care plays a major role in agricultural production—greater than in industry for example. And workers working for themselves will clearly exercise more care than wage-labourers. Whilst this might not necessarily be an advantage in all types of large enterprise, it certainly is as far as large-scale capitalist farming is concerned. This should not be overstated, however. The other weapons in the small farm’s arsenal—overwork, undernourishment, and accompanying ignorance—offset the effects of greater care. The longer the worker has to work, the lower the standard of diet, and the less time available for education, the less care ultimately exercised in work. And what is the point of taking great care if there is no time to clean the stall and livestock, if the draught animals—often simply a dairy cow—are just as overworked and underfed themselves.

J.J. Bartels, director of the Saarburg Agricultural School, writing on the subject of small peasants in the Merzig district of Trier, noted:

These small-holders live almost solely on potatoes and rye bread; their consumption of meat and fats is very low. One could honestly say that their diet is inadequate, and that has a deleterious effect on their willpower. They become dull,
indifferent, unable to arrive at a proper assessment of cause and effect in their own businesses. (Verein fur Socialpolitik, *Bauerliche Zustande*, I, p. 212)

The small farm is at its most impoverished where it is unable to provide even a modestly adequate diet, and where the head of the household is obliged to look for supplementary employment. Professor Heitz, of Hohenheim, writing on the subject of small peasants in the Swabian districts of Stuttgart, Boeblingen and Herrenberg, notes:

All those factors which contribute to the higher yield of the larger estates—deeper furrows and more careful cultivation of the fields, the attractive appearance of the produce, the better diet and greater cleanliness of the stock—are only very slowly and laboriously trickling through to the peasant, who lacks both the will and the money to take any additional risks. A large number of machines which are introduced elsewhere some time ago are virtually unknown. And a further factor also has to be reckoned with, deeply rooted in current circumstances. We would attribute the lack of real effort and stamina, which is often complained of, not to the nature of the people but to small-scale land-ownership. It is widely accepted that the combination of completely diverse activities has a crippling effect on each one. If the small trader and pedlar have lost both the desire and the energy to carry out heavy agricultural work, the peasant in turn usually makes a poor craftworker and the craftworker a poor peasant. (Verein fur Socialpolitik, *Bauerliche Zustande*, III, p. 227, cf. pp. 83, 120)

The following figures show what this actually means for German agriculture. According to the 1895 Census, 502,000 independent farmers (20 per cent) have a supplementary occupation;
717,000 agricultural establishments are owned by agricultural wage-labourers, and 791,000 by industrial workers, with 704,000 belonging to independent industrialists, mostly craft workers.

Of the 5,600,000 owners of agricultural establishments, only 2,000,000 (37 per cent) are independent farmers without a supplementary occupation; of the 3,236,000 owners of farms of less than 2 hectares, only 417,000 (13 per cent) come under this category. Of these small farms, 147,000 belong to independent farmers with a supplementary occupation, 690,000 to agricultural labourers, 743,000 to industrial wage-labourers, and 534 to handicraft workers. The number of these miserable hybrid farms is therefore enormous.

If the position of most small farmers is inimical to the exercise of care, conversely the large farm is eminently capable of getting careful work out of its wage-labourers. Good pay, good food, and good treatment have a considerable effect. "Dissatisfied, poorly paid or poorly fed workers can, and will, do much more harm on a farm through neglect or wilful damage than is saved on wages, whilst those farms—and this is proven by experience—which pay adequate wages, thrive and make profits" (Kirchner in Goltz, Handbuch, I, p. 435). Well-paid and well-fed, and hence intelligent, workers are an indispensable prerequisite for rational large-scale farming. This precondition is still undoubtedly lacking in the majority of instances, and it would be naive to expect any improvement from the "enlightened despotism" of large-scale farmers. As in industry, any improvement in agriculture will come from the pressures of the organized workforce, either directly, or indirectly, through the medium of the state. The task of the workers’ movement is to create this one important precondition for rational large-scale agriculture by raising the moral and physical standards of the rural proletariat and combating rural barbarism, in the process removing one of the last props of the small farm.
Apart from paying and feeding its workers well, the large farm has other means at its disposal for achieving greater care in the execution of work. Thünen, for example, introduced a system of profit-sharing in which all the permanent estate-workers received a share of the surplus of the net profit over and above a certain minimum. More common is the use of the division of labour to achieve greater care and conscientiousness. As already noted above, given the large number of workers in its employ, the large farm can seek out those with particular skills, intelligence or industriousness and assign them jobs in which these quantities play an important role—either as workers, supervisors or overseers.

Finally, we should remember that as far as the central forms of farming are concerned—primarily arable farming proper—the machine not only works more swiftly but also much more thoroughly than the manual worker equipped with simple tools, and produces results unattainable by a worker even exercising the maximum conceivable care. The machine ploughs better, sows better, can cut (apart from lying corn), thresh and clean the grain, as well as sort, to a higher standard than a peasant with simple tools or implements. And despite Professor Sering, we still have not yet found one expert who thought that the small enterprise could function as rationally as the large. In fact, the types of agriculture in which the small farm is still held to be competitive are much more modest in scope.

According to Professor Kramer, the large enterprise is preferable for certain types of farming and the small for others.

The small farm is most appropriate where complex and high-value cultivation is involved, in which great care is demanded of the individual worker. Such types of cultivation are precisely those which offer the most opportune use of spare time and less strong hands [small children!?: K.K.] amongst the owner's
family, allowing work to be executed cheaply, as the success of market-gardening, vine-growing and the cultivation of certain industrial crops show. (Goltz, Handbuch, I, p. 197)

The following figures reveal the importance of those types of cultivation which—for the present—favour the small enterprise, as opposed to stock-rearing and arable farming. In 1899 the German Reich contained 161,408 hectares planted with industrial crops, and 120,935 with vines. In contrast, fodder crops and pasturage took up 8,533,790 hectares, grain 13,898,058 hectares, and potatoes approximately 3 million hectares. Viticulture and market-gardening have also been successfully practiced in large-scale establishments. Many of the smaller industrial crops are also on the decline. Tobacco fell from 27,248 hectares to 15,198 hectares between 1881 and 1893 within the German customs area. Since the latter date it has recovered a little (22,076 hectares in 1896), but is still well short of its 1881 level. The cultivation of flax and hemp has also fallen. In 1878 155,100 hectares were planted with flax and hemp; by 1883 this had fallen to 123,600 and by 1893 to 68,900. Hops are not much better off: cultivation rose from 40,800 hectares in 1878 to 45,900 in 1883, but then fell back again to 42,100 hectares in 1893.

Opting for industrial crops can spell disaster for peasants. Dr Robert Drill notes:

In Bohemia it is well known that peasants in the hop-growing districts concentrate almost exclusively on this one crop, and thus make their entire fate totally dependent on this plant. Needless to say, this is a hazardous sport, since hops are subject to very marked price fluctuations. Entire villages in Bohemia have already been reduced to beggary after a couple of bad harvests. (Drill, “Die Agrarfrage in Oesterreich”, p. 24)
According to Krafft (Lehrbuch der Landwirtschaft, p. 82) the price of hops can fluctuate by up to 1,000 per cent or more. Looking at agriculture overall, the types of farming in which the small farm is superior to the large are really only of scant significance: in general, the large farm is decisively superior to the small.

This is also acknowledged by the “practician”, who generally prefers to farm a large, indebted, estate than a small unencumbered one representing the same value. Most mortgage indebtedness arises from this preference for the large farm. Anyone deciding to invest 50,000 Marks in an estate will prefer to buy one with a market value of 100,000 Marks and take a mortgage for 50,000 Marks rather than make an outright cash purchase of 50,000 Marks.

Practical cultivators also recognize the superiority of the large farm in another way—in establishing cooperatives. The cooperative enterprise is a large enterprise.

The Cooperative System

The cooperative system is of undeniable importance: the question is whether the advantages of the large cooperative enterprise are accessible to peasants in those spheres in which the large farm has the edge over the small farm. And how far does their superiority extend?

Until now, the cooperative system in agriculture seems to have been confined almost exclusively to the spheres of credit and commerce . . . .

[. . .] For the small peasant, the credit cooperative is primarily a means for raising personal loans. The credit cooperative can manage what the scattered peasantry cannot—namely, obtain credit from large-scale urban money capital, on modern capitalist terms and conditions. Although the loans desired by individual peasants may be too small to interest large-scale capital, the loans raised by a large cooperative are quite a different matter. Furthermore, for an urban bank to grant a loan to a completely unknown
peasant is a risky undertaking: the joint liability of the cooperative members means a substantial reduction in the risk. The credit cooperatives also therefore enable the peasant to obtain money at moderate rates of interest, which, thanks to the improvements effected by the loans, can be paid without incurring ruin. The credit cooperatives are undoubtedly a very important lever for economic advance amongst the peasantry: and although this is an advance towards capitalism, rather than socialism as some claim, it is nonetheless of considerable economic value. [...] Trade, ousting the competition, winning customers, and taking advantage of the market are not activities at which cooperatives excel. The single entrepreneur—independent, ruthless, highly motivated—can do it much better than the official of the cooperative. [...]

Marketing cooperatives can only begin to play a useful role for the small farm if they allow the individual members to coordinate their production according to a common plan using common methods. . . .

The situation is somewhat better when we turn to the wholesale purchasing cooperatives, for the collective buying-in of fertilizers, fodder, seed, stock, machinery and so forth. These are rapidly expanding. . . .

Agricultural cooperatives may well thrive in the sphere of the purchase of raw materials and machinery, which is straightforward compared with selling. . . .

Such cooperatives bring undeniable benefits to the farmer, who saves on the costs of the middleman. . . . The question still nevertheless arises as to whether the large farm might not have even more to gain from such co-ops than the small. For example, the supply of cheap coal to large landowners for running their steam engines by the Berlin Central Cooperative is not exactly designed to promote the interests of the small farmer. And
cooperatives which buy machinery for sale or hire to their members are naturally of more use to members who can utilize it—that is, to those with larger farms. . . .

The cooperative system is therefore very important for modern agriculture, but is by no means a device—even where it operates successfully—for offsetting the advantages of the large enterprise. In fact, quite the opposite: it is often a means for widening the gulf.

[. . .] If small farmers truly wish to enjoy the benefits of large-scale agriculture, they must refuse to be diverted down byways and march straight at their goal. They must no longer confine themselves to the spheres of trade and profiteering but venture out into the territory most central to the farmer—agriculture itself.

Quite plainly, a cooperatively cultivated large scale estate would be able to enjoy all the advantages of large-scale cultivation either denied or only incompletely available to cooperatives active in the fields merely of raw materials, machinery, credit and sales. At the same time, a cooperatively farmed estate must also benefit from the superiority that working for oneself has over wage labour. Such a cooperative would not only be the equal of the large scale capitalist enterprise, but would inevitably prove its superior. [. . .]

Why don't peasants try to organize their central activities on a co-operative basis? Why do they stay at the stage of mere palliatives? One suggested reason is that by its nature agriculture is not a social activity, and is not therefore amenable to social organization. But this simply restates what has to be explained.

There is no obvious reason why modern agriculture, which can be operated on a capitalist basis, cannot also be conducted cooperatively. Might the only reason be simply that it has not yet been tried? If so, this would be a poor excuse, since there have already been attempts—in fact successful attempts.

In the first few decades of this century, when the great thinkers had already recognized that large-scale socialist enterprises, not small concerns, represented the means for surmounting capitalist
exploitation—although a number of specific economic, political and intellectual prerequisites for the advance and survival of such enterprises had not been identified—a number of enthusiasts, of whom the first and by far the greatest was Robert Owen, sought to establish the initial framework of a socialist society by founding socialist colonies and cooperatives. Not all these attempts met with success; and those which did were anything but the first steps towards a socialist society. However they did prove one thing: the possibility of cooperative production, the possibility of replacing the individual capitalist by social institutions.

[...]

One cannot simply leap over a stage of development. Under normal circumstances, the vast bulk of the ordinary folk cannot pass directly from the craft or peasant enterprise to the large-scale cooperative. Private property in the means of production stands in the way. . . .

Only the propertyless, not those with property, can effect the transition to cooperative production. This does not necessarily mean that peasants and handicraft workers can only achieve cooperative production by passing through the transitional stage of being proletarians; or that they will necessarily be expropriated by capital, and that socialist production will be impossible as long as there are peasants and handicraft workers. Nothing could be further from the truth. All we are claiming is that the victory of the proletariat, and their will to cooperation, has to prevail in order to create the conditions which will allow handicraft workers and peasants to take up cooperative production in practice, rather than, as now, simply as an ideal.

V.I. LENIN

Review [of Kautsky's

*Die Agrarfrage*


Kautsky's book is the most important event in present-day economic literature since the third volume of *Capital*. Until now Marxism has lacked a systematic study of capitalism in agriculture. Kautsky has filled this gap with "The Development of Agriculture in Capitalist Society," the first part (pp. 1–300) of his voluminous (450-page) book. He justly remarks in his preface that an "overwhelming" mass of statistical and descriptive economic material on the question of agricultural capitalism has been accumulated and that there is an urgent need to reveal the "basic tendencies" of economic evolution in this branch of the economy in order to demonstrate the varied phenomena of agricultural capitalism as "partial manifestations of one common [integral] process" (*eines Gesammtprozesses*). It is true that agricultural forms and the relations among the agricultural population in contemporary society are marked by such tremendous variety that there is nothing easier than to seize upon a whole mass of facts and pointers taken from any inquiry that will "confirm" the views of the given writer. This is precisely the method used in a large number of arguments by our Narodnik press which tries to prove the viability of petty peasant economy or even its superiority over large-scale production in agriculture. A distinguishing feature of

all these arguments is that they isolate individual phenomena, cite individual cases, and do not even make an attempt to connect them with the general picture of the whole agrarian structure of capitalist countries in general and with the basic tendencies of the entire present-day evolution of capitalist farming. Kautsky does not make this usual mistake. He has been studying the problem of capitalism in agriculture for over twenty years and is in possession of very extensive material; in particular, Kautsky bases his inquiry on the data of the latest agricultural censuses and questionnaires in England, America, France (1892), and Germany (1895). He never loses his way amidst piles of facts and never loses sight of the connection between the tiniest phenomenon and the general structure of capitalist farming and the general evolution of capitalism.

Kautsky does not confine himself to any one particular question, e.g., the relations between large-scale and small-scale production in agriculture, but deals with the general question of whether or not capital is bringing agriculture under its domination, whether it is changing forms of production and forms of ownership in agriculture and how this process is taking place. Kautsky gives every recognition to the important role played by pre-capitalist and non-capitalist forms of agriculture in modern society and to the necessity of examining the relationship of these forms to the purely capitalist forms; he begins his investigation with an extremely brilliant and precise characterization of patriarchal peasant economy and of agriculture in the feudal epoch. Having thus established the starting-points for the development of capitalism in agriculture, he proceeds to characterize "modern agriculture." The description is given first of all from the technical standpoint (the crop rotation system, division of labour, machinery, fertilizers, bacteriology), and the reader is given a splendid picture of the great revolution capitalism has wrought in the course of a few decades by making agriculture a science instead
of a routine craft. Further comes the investigation of "the capitalist character of modern agriculture"—a brief and popularly written, but extremely precise and talented, exposition of Marx's theory of profit and rent. Kautsky shows that the tenant farmer system and the mortgage system are merely two sides of one and the same process, noted by Marx, of separating the agricultural producers from the landowners. The relations between large-scale and small-scale production are then examined and it is shown that the technical superiority of the former over the latter is beyond doubt. Kautsky effectively demonstrates this thesis and explains in detail how the stability of petty production in agriculture does not depend in any way on its technical rationality but on the fact that the small peasants work far harder than hired labourers and reduce their vital necessities to a level lower than that of the latter. The supporting data which Kautsky cites are in the highest degree interesting and clear-cut. An analysis of the question of associations in agriculture leads Kautsky to the conclusion that associations are undoubtedly indicative of progress but that they are a transition to capitalism and not to communal production; associations do not decrease but increase the superiority of large-scale over small-scale agricultural production. It is absurd to think that the peasant in modern society can go over to communal production. Reference is usually made to statistical data which do not show that the smaller producer is ousted by the big producer, but which merely serve to show that the development of capitalism in agriculture is much more complicated than in industry. In industry, too, such manifestations as the spread of capitalist work in the home, etc., are not infrequently interconnected with the basic tendency of development. But in agriculture the ousting of the small producer is, hampered, primarily, by the limited size of the land area; the buying up of small-holdings to form a big holding is a very difficult matter; with intensified farming an increase in the quantity of products obtained is sometimes
compatible with a reduction in the area of the land (for which reason statistics operating exclusively with data on the size of the farm have little evidential significance). The concentration of production takes place through the buying-up of many holdings by one proprietor; the latifundia thus formed serve as a basis for one of the higher forms of large-scale capitalist farming. Lastly, it would not even be advantageous for the big land-owners to force out the small proprietors completely: the latter provide them with hands! For this reason the landowners and capitalists frequently pass laws that artificially maintain the small peasantry. Petty farming becomes stable when it ceases to compete with large-scale farming, when it is turned into a supplier of labour-power for the latter. The relations between the large and small landowners come still closer to those of capitalists and proletarians. Kautsky devotes a special chapter to the “proletarisation of the peasantry,” one that is rich in data, especially on the question of the “auxiliary employments” of the peasants, i.e., the various forms of hired labour.

After elucidating the basic features of the development of capitalism in agriculture, Kautsky proceeds to demonstrate the historically transitory character of this system of social economy. The more capitalism develops, the greater the difficulties that commercial (commodity) farming encounters. The monopoly in land ownership (ground rent), the right of inheritance, and entailed estates hamper the rationalization of farming. The towns exploit the countryside to an ever greater extent, taking the best labour forces away from the farmers and absorbing an ever greater portion of the wealth produced by the rural population, whereby the rural population is no longer able to return to the soil that which is taken from it. Kautsky deals in particularly great detail with the depopulating of the countryside and acknowledges to the full that it is the middle stratum of farmers which suffers least of all from a shortage of labour-power, and he adds that “good citizens”
(we may also add: and the Russian Narodniks) are mistaken in rejoicing at this fact, in thinking that they can see in it the beginnings of a rebirth of the peasantry which refutes the applicability of Marx's theory to agriculture. The peasantry may suffer less than other agricultural classes from a shortage of hired labour, but it suffers much more from usury, tax oppression, the irrationality of its economy, soil exhaustion, excessive toil, and under-consumption. The fact that not only agricultural labourers, but even the children of the peasants, flee to the towns is a clear refutation of the views of optimistically-minded petty-bourgeois economists! But the biggest changes in the condition of European agriculture have been brought about by the competition of cheap grain imported from America, the Argentine, India, Russia, and other countries. Kautsky made a detailed study of the significance of this fact that arose out of the development of industry in quest for markets. He describes the decline in European grain production under the impact of this competition, as well as the lowering of rent, and makes a particularly detailed study of the "industrialization of agriculture" which is manifested, on the one hand, in the industrial wage-labour of the small peasants and, on the other, in the development of agricultural technical production (distilling, sugar refining, etc.), and even in the elimination of some branches of agriculture by manufacturing industries. Optimistic economists, says Kautsky, are mistaken in believing that such changes in European agriculture can save it from crisis; the crisis is spreading and can only end in a general crisis of capitalism as a whole. This, of course, does not give one the least right to speak of the ruin of agriculture, but its conservative character is gone for ever; it has entered a state of uninterrupted transformation, a state that is typical of the capitalist mode of production in general. "A large area of land under large-scale agricultural production, the capitalist nature of which is becoming more and more pronounced; the growth of leasing and mort-
gaging, the industrialization of agriculture—these are the elements that are preparing the ground for the socialization of agricultural production. . . .” It would be absurd to think, says Kautsky in conclusion, that one part of society develops in one direction and another in the opposite direction. In actual fact “social development in agriculture is taking the same direction as in industry.”

Applying the results of his theoretical analysis to questions of agrarian policy, Kautsky naturally opposes all attempts to support or “save” peasant economy. There is no reason even to think that the village commune, says Kautsky, could go over to large-scale communal farming (p. 338, section, “Der Dorfkommunismus”; cf. p. 339). “The protection of the peasantry (der Bauernschutz) does not mean protection of the person of the peasant (no one, of course, would object to such protection), but protection of the peasant’s property. Incidentally, it is precisely the peasant’s property that is the main cause of his impoverishment and his degradation. Hired agricultural labourers are now quite frequently in a better position than the small peasants. The protection of the peasantry is not protection from poverty but the protection of the fetters that chain the peasant to his poverty” (p. 320). The radical transformation of agriculture by capitalism is a process that is only just beginning, but it is one that is advancing rapidly, bringing about the transformation of the peasant into a hired labourer and increasing the flight of the population from the countryside. Attempts to check this process would be reactionary and harmful: no matter how burdensome the consequences of this process may be in present-day society, the consequences of checking the process would be still worse and would place the working population in a still more helpless and hopeless position. Progressive action in present-day society can only strive to lessen the harmful effects which capitalist advance

* Village communism.—Ed.
exerts on the population, to increase the consciousness of the people and their capacity for collective self-defence. Kautsky, therefore, insists on the guarantee of the freedom of movement, etc., on the abolition of all the remnants of feudalism in agriculture (e.g., die Gesindeordnungen,* which place farm workers in a personally dependent, semi-serf position), on the prohibition of child labour under the age of fourteen, the establishment of an eight-hour working day, strict sanitary police to exercise supervision over workers’ dwellings, etc., etc.

It is to be hoped that Kautsky’s book will appear in a Russian translation.


* Legislation defining relations between landowners and serfs.—Ed.
Nachalo, No. 1–2 (Section II, pp. 1–21), contains an article by Mr. S. Bulgakov entitled: “A Contribution to the Question of the Capitalist Evolution of Agriculture,” which is a criticism of Kautsky’s work on the agrarian question. Mr. Bulgakov rightly says that “Kautsky’s book represents a whole world outlook,” that it is of great theoretical and practical importance. It is, perhaps, the first systematic and scientific investigation of a question that has stimulated a heated controversy in all countries, and still continues to do so, even among writers who are agreed on general views and who regard themselves as Marxists. Mr. Bulgakov confines himself to negative criticism,” to criticism of “individual postulates in Kautsky’s book” (which he “briefly”—too briefly and very inexacty, as we shall see—reviews for the readers of Nachalo). “Later on,” Mr. Bulgakov hopes “to give a systematic exposition of the question of the capitalist evolution of agriculture” and thus “also present a whole world outlook” in opposition to Kautsky’s.

We have no doubt that Kautsky’s book will give rise to no little controversy among Marxists in Russia, and that in Russia, too, some will oppose Kautsky, while others will support him. At all events, the writer of these lines disagrees most emphatically with Mr. Bulgakov’s opinion, with his appraisal of Kautsky’s book. Notwithstanding Mr. Bulgakov’s admission that Die Agrarfrage

1 The Agrarian Question.—Ed.
is “a remarkable work,” his appraisal is astonishingly sharp, and is written in a tone unusual in a controversy between authors of related tendencies. Here are samples of the expressions Mr. Bulgakov uses: “extremely superficial” . . . “equally little of both real agronomics and real economics” . . . “Kautsky employs empty phrases to evade serious scientific problems” (Mr. Bulgakov’s italics!!), etc., etc. We shall therefore carefully examine the expressions used by the stern critic and at the same time introduce the reader to Kautsky’s book.

Even before Mr. Bulgakov gets to Kautsky, he, in passing, takes a shot at Marx. It goes without saying that Mr. Bulgakov emphasises the enormous services rendered by the great economist, but observes that in Marx’s works one “sometimes” comes across even “erroneous views . . . which have been sufficiently refuted by history.” “Among such views is, for example, the one that in agriculture variable capital diminishes in relation to constant capital just as it does in manufacturing industry, so that the organic composition of agricultural capital continuously rises.” Who is mistaken here, Marx or Mr. Bulgakov? Mr. Bulgakov has in mind the fact that in agriculture the progress of technique and the growing intensity of farming often lead to an increase in the amount of labour necessary to cultivate a given plot of land. This is indisputable; but it is very far from being a refutation of the theory of the diminution of variable capital relatively to constant capital, in proportion to constant capital. Marx’s theory merely asserts that the ratio \( \frac{v}{c} \) (\( v \)=variable capital, \( c \)=constant capital) in general has a tendency to diminish, even when \( v \) increases per unit of area. Is Marx’s theory refuted if, simultaneously, \( c \) increases still more rapidly? Agriculture in capitalist countries, taken by and large, shows a diminution of \( v \) and an increase of \( c \). The rural population and the number of workers employed in agriculture are
diminishing in Germany, in France, and in England, whereas the number of machines employed in agriculture is increasing. In Germany, for example, from 1882 to 1895, the rural population diminished from 19,200,000 to 18,500,000 (the number of wage-workers in agriculture diminished from 5,900,000 to 5,600,000), whereas the number of machines employed in agriculture increased from 458,369 to 913,391; the number of steam-driven machines employed in agriculture increased from 2,731 (in 1879) to 12,856 (in 1897), while the total horse power of the steam-driven machinery employed increased still more. The number of cattle increased from 15,800,000 to 17,500,000 and the number of pigs from 9,200,000 to 12,200,000 (in 1883 and 1892 respectively). In France, the rural population diminished from 6,900,000 ("independent") in 1882 to 6,600,000 in 1892; and the number of agricultural machines increased as follows: 1862—132,784; 1882—278,896; 1892—355,795. The number of cattle was as follows: 12,000,000; 13,000,000; 13,700,000 respectively; the number of horses: 2,910,000; 2,840,000; 2,790,000 respectively (the reduction in the number of horses in the period 1882–92 was less significant than the reduction in the rural population). Thus, by and large, the history of modern capitalist countries has certainly not refuted, but has confirmed the applicability of Marx's law to agriculture. The mistake Mr. Bulgakov made was that he too hastily raised certain facts in agronomics, without examining their significance, to the level of general economic laws. We emphasise "general," because neither Marx nor his disciples ever regarded this law otherwise than as the law of the general tendencies of capitalism, and not as a law for all individual cases. Even in regard to industry Marx himself pointed out that periods of technical change (when the ratio $\frac{v}{c}$ diminishes) are followed by periods of progress on the

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2 Machines of various types are combined. Unless otherwise stated, all figures are taken from Kautsky's book.
given technical basis (when the ratio $r/c$ remains constant, and in certain cases may even increase). We know of cases in the industrial history of capitalist countries in which this law is contravened by entire branches of industry, as when large capitalist workshops (incorrectly termed factories) are broken up and supplanted by capitalist domestic industry. There cannot be any doubt that in agriculture the process of development of capitalism is immeasurably more complex and assumes incomparably more diverse forms.

Let us now pass to Kautsky. The outline of agriculture in the feudal epoch with which Kautsky begins is said to be "very superficially compiled and superfluous." It is difficult to understand the motive for such a verdict. We are sure that if Mr. Bulgakov succeeds in realizing his plan to give a systematic exposition of the capitalist evolution of agriculture, he will have to outline the main features of the pre-capitalist economics of agriculture. Without this the character of capitalist economics and the transitional forms which connect it with feudal economics cannot be understood. Mr. Bulgakov himself admits the enormous importance of "the form which agriculture assumed at the beginning [Mr. Bulgakov's italics] of its capitalist course." It is precisely with "the beginning of the capitalist course" of European agriculture that Kautsky begins. In our opinion, Kautsky's outline of feudal agriculture is excellent; it reveals that remarkable distinctness and ability to select what is most important and essential without becoming submerged in details of secondary importance which, in general, are characteristic of this author. In his introduction Kautsky first of all gives an extremely precise and correct presentation of the question. In most emphatic terms he declares: "There is not the slightest doubt—we are prepared to accept this \textit{a priori} (\textit{von vornherein})—that agriculture does not develop according to the same pattern as industry: it is subject to special laws" (S. 5–6). The task is "to investigate whether capital is
Capitalism in Agriculture

bringing agriculture under its domination and how it is dominating it, how it transforms it, how it invalidates old forms of production and forms of property and creates the need for new forms” (S. 6). Such, and only such, a presentation of the question can result in a satisfactory explanation of “the development of agriculture in capitalist society” (the title of the first, theoretical, part of Kautsky’s book).

At the beginning of the “capitalist course,” agriculture was in the hands of the peasantry, which, as a general rule, was subordinated to the feudal regime of social economy. Kautsky first of all characterises the system of peasant farming, the combining of agriculture with domestic industry, and further the elements of decay in this paradise of petty-bourgeois and conservative writers (a la Sismondi), the significance of usury and the gradual “penetration into the countryside, deep into the peasant household itself, of the class antagonism which destroys the ancient harmony and community of interests” (S. 13). This process, which began as far back as the Middle Ages, has not completely come to an end to this day. We emphasise this statement because it shows immediately the utter incorrectness of Mr. Bulgakov’s assertion that Kautsky did not even raise the question of who was the carrier of technical progress in agriculture. Kautsky raised and answered that question quite definitely; anyone who reads his book carefully will grasp the truth (often forgotten by the Narodniki, agronomists, and many others) that the carrier of technical progress in modern agriculture is the rural bourgeoisie, both petty and big; and (as Kautsky has shown) the big bourgeoisie plays a more important role in this respect than the petty bourgeoisie.

II

After describing (in Chapter III) the main features of feudal agriculture: the predominance of the three-field system, the most
conservative system in agriculture; the oppression and expropria
tion of the peasantry by the big landed aristocracy; the organi-
zation of feudal-capitalist farming by the latter; the transform-
ation of the peasantry into starving paupers (Hungerleider) in the
seventeenth and eighteenth centuries; the development of bour-
geois peasants (Grossbauern, who cannot manage without regular
farm labourers and day labourers), for whom the old forms of
rural relations and land tenure were unsuitable; the abolition of
these forms and the paving of the way for "capitalist, intensive
farming" (S. 26) by the forces of the bourgeois class which had
developed in the womb of industry and the towns—after describing
all this, Kautsky goes on to characterise "modern agriculture"
(Chapter IV).

This chapter contains a remarkably exact, concise, and lucid
outline of the gigantic revolution which capitalism brought about
in agriculture by transforming the routine craft of peasants crushed
by poverty and ignorance into the scientific application of
agronomics, by disturbing the age-long stagnation of agriculture,
and by giving (and continuing to give) an impetus to the rapid
development of the productive forces of social labour. The three-
field system gave way to the crop rotation system, the mainte-
nance of cattle and the cultivation of the soil were improved, the yield
increased and specialization in agriculture and the division of
labour among individual farms greatly developed. Pre-capitalist
uniformity was replaced by increasing diversity, accompanied by
technical progress in all branches of agriculture. Both the use of
machinery in agriculture and the application of steam power were
introduced and underwent rapid development; the employment
of electric power, which, as specialists point out, is destined to
play an even greater role in this branch of production than steam
power, has begun. The use of access roads, land improvement
schemes, and the application of artificial fertilizers adapted to the
physiology of plants have been developed; the application of
bacteriology to agriculture has begun. Mr. Bulgakov's assertion that "Kautsky's data are not accompanied by an economic analysis" is completely groundless. Kautsky shows precisely the connection between this revolution and the growth of the market (especially the growth of the towns), and the subordination of agriculture to competition which forced the changes and specialization. "This revolution, which has its origin in urban capital, increases the dependence of the farmer on the market and, moreover, constantly changes market conditions of importance to him. A branch of production that was profitable while the local market's only connection with the world market was a high road becomes unprofitable and must necessarily be superseded by another branch of production when a railway is run through the locality. If, for example, the railway brings cheaper grain, grain production becomes unprofitable; but at the same time a market for milk is created. The growth of commodity circulation makes it possible to introduce new, improved varieties of crops into the country," etc. (S. 37–38). "In the feudal epoch," says Kautsky, "the only agriculture was small-scale agriculture, for the landlord cultivated his fields with the peasant's implements. Capitalism first created the possibility for large-scale production in agriculture, which is technically more rational than small-scale production." In discussing agricultural machinery, Kautsky (who, it should be said in passing, points precisely to the specific features of agriculture in this respect) explains the capitalist nature of its  

1 “All these data,” thinks Mr. Bugakov, “can be obtained from any (sic!) handbook of the economics of agriculture.” We do not share Mr. Bulgakov's roseate views on "handbooks." Let us take from "any" of the Russian books those of Messrs. Skvortsov (Steam Transport) and N. Kablukov (Lecture, half of them reprinted in a "new" book The Conditions of Development of Peasant Economy in Russia). Neither from the one nor from the other would the reader be able to obtain a picture of that transformation which was brought about by capitalism in agriculture, because neither even sets out to give a general picture of the transition from feudal to capitalist economy.
employment; he explains the influence of agricultural machinery upon the workers, the significance of machinery as a factor of progress, and the "reactionary utopianism" of schemes for restricting the employment of agricultural machinery. "Agricultural machines will continue their transformative activity: they will drive the rural workers into the towns and in this way serve as a powerful instrument for raising wages in the rural districts, on the one hand, and for the further development of the employment of machinery in agriculture, on the other" (S. 41).

Let it be added that in special chapters Kautsky explains in detail the capitalist character of modern agriculture, the relation between large- and small-scale production, and the proletarisation of the peasantry. As we see, Mr. Bulgakov's assertion that Kautsky "does not raise the question of knowing why all these wonder-working changes were necessary" is entirely untrue.

In Chapter V ("The Capitalist Character of Modern Agriculture") Kautsky expounds Marx's theory of value, profit, and rent. "Without money, modern agricultural production is impossible," says Kautsky, "or, what is the same thing, it is impossible without capital. Indeed, under the present mode of production any sum of money which does not serve the purpose of individual consumption can be transformed into capital, i.e., into a value begetting surplus-value and, as a general rule, actually is transformed into capital. Hence, modern agricultural production is capitalist production" (S. 56). This passage, incidentally, enables us to appraise the following statement made by Mr. Bulgakov: "I employ this term (capitalist agriculture) in the ordinary sense (Kautsky also employs it in the same sense), i.e., in the sense of large-scale production in agriculture. Actually, however (sic!), when the whole of the national economy is organized on capitalist lines, there is no non-capitalist agriculture, the whole of it being determined by the general conditions of the organization of production, and only within these limits should
the distinction be made between large-scale, entrepreneur farming and small-scale farming. For the sake of clarity a new term is required here also.” And so it seems, Mr. Bulgakov is correcting Kautsky . . . “Actually, however,” as the reader sees, Kautsky does not employ the term “capitalist agriculture” in the “ordinary,” inexact sense in which Mr. Bulgakov employs it. Kautsky understands perfectly well, and says so very precisely and clearly, that under the capitalist mode of production all agricultural production is “as a general rule” capitalist production. In support of this opinion he adduces the simple fact that in order to carry on modern agriculture money is needed, and that in modern society money which does not serve the purpose of individual consumption becomes capital. It seems to us that this is somewhat clearer than Mr. Bulgakov’s “correction,” and that Kautsky has fully proved that it is possible to dispense with a “new term.”

In Chapter V of his book Kautsky asserts, inter alia, that both the tenant farmer system, which has developed so fully in England, and the mortgage system, which is developing with astonishing rapidity in continental Europe, express, in essence, one and the same process, viz., the separation of the land from the farmer.¹ Under the capitalist tenant farmer system this separation is as clear as daylight. Under the mortgage system it is “less clear, and things are not so simple; but in essence it amounts to the same thing” (S. 86). Indeed, it is obvious that the mortgaging of land is the mortgaging, or sale, of ground rent. Consequently, under the mortgage system, as well as under the tenant farmer system, the recipients of rent (=the landowners) are separated from the recipients of the profit of enterprise (=farmers, rural

¹ Marx pointed to this process in Volume III of Capital (without examining its various forms in different countries) and observed that this separation of “land as an instrument of production from landed property and landowner” is “one of the major results of the capitalist mode of production” (III, 2, S. 156–57; Russian translation, 509–10).
entrepreneurs). "In general, the significance of this assertion of Kautsky is unclear" to Mr. Bulgakov. "It can hardly be considered as proved that the mortgage system expresses the separation of the land from the farmer." "Firstly, it cannot be proved that debt absorbs the whole rent; this is possible only by way of exception . . . ." To this we reply: There is no need to prove that interest on mortgage debts absorbs the whole rent, just as there is no need to prove that the actual amount paid for land leased coincides with rent. It is sufficient to prove that mortgage debts are growing with enormous rapidity; that the landowners strive to mortgage all their land, to sell the whole of the rent. The existence of this tendency—a theoretical economic analysis can, in general, deal only with tendencies—cannot be doubted. Consequently, there can be no doubt about the process of separation of the land from the farmer. The combination of the recipient of rent and the recipient of the profit of enterprise in one person is, "from the historical point of view, an exception" (ist historisch eine Ausnahme, S. 91) . . . . "Secondly, the causes and sources of the debt must be analysed in each separate case for its significance to be understood." Probably this is either a misprint or a slip. Mr. Bulgakov cannot demand that an economist (who, moreover, is dealing with the "development of agriculture in capitalist society" in general) should investigate the causes of the debt "in each separate case" or even expect that he would be able to do so. If Mr. Bulgakov wanted to say that it is necessary to analyse the causes of debt in different countries at different periods, we cannot agree with him. Kautsky is perfectly right in saying that too many monographs on the agrarian question have accumulated, and that the urgent task of modern theory is not to add new monographs but to "investigate the main trends of the capitalist evolution of agriculture as a whole" (Vorrede, S. vi'). Among these main trends

\footnote{Foreword, p. vi.—Ed.}
is undoubtedly the separation of the land from the farmer in the form of an increase in mortgage debts. Kautsky precisely and clearly defined the real significance of mortgages, their progressive historical character (the separation of the land from the farmer being one of the conditions for the socialization of agriculture, S. 88), and the essential role they play in the capitalist evolution of agriculture. All Kautsky’s arguments on this question are extremely valuable theoretically and provide a powerful weapon against the widespread bourgeois talk (particularly in “any handbook of the economics of agriculture”) about the “misfortune” of debts and about “measures of assistance.” . . . “Thirdly,” concludes Mr. Bulgakov, “land leased out may, in its turn, be mortgaged; and in this sense it may assume the same position as land not leased out.” A strange argument! Let Mr. Bulgakov point to at least one economic phenomenon, to at least one economic category, that is not interwoven with others. The fact that there are cases of combined leasing and mortgaging does not refute, does not even weaken, the theoretical proposition that the separation of the land from the farmer is expressed in two forms: in the tenant farmer system and in mortgage debts.

Mr. Bulgakov also declares that Kautsky’s statement that “countries in which the tenant farmer system is developed are also countries in which large land ownership predominates” (S. 88) is “still more unexpected” and “altogether untrue.” Kautsky speaks here of the concentration of land ownership (under the tenant farmer system) and the concentration of mortgages (under the system in which the landowners manage their own farms) as

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* The increase in mortgage debts does not always imply that agriculture is in a depressed state . . . The progress and prosperity of agriculture (as well as its decline) “should find expression in an increase in mortgage debts—firstly, because of the growing need of capital on the part of progressing agriculture, and, secondly, because of the increase in ground rent, which facilitates the expansion of agricultural credit” (S. 87).
conditions that facilitate the abolition of the private ownership of land. On the question of concentration of land ownership, continues Kautsky, there are no statistics "which would enable one to trace the amalgamation of several properties in single hands"; but "in general it may be taken" that the increase in the number of leases and in the area of the leased land proceeds side by side with concentration of land ownership. "Countries in which the tenant farmer system is developed are also countries in which large land ownership predominates." It is clear that Kautsky's entire argument applies only to countries in which the tenant farmer system is developed; but Mr. Bulgakov refers to East Prussia, where he "hopes to show" an increase in the number of leases side by side with the break-up of large landed properties—and he thinks that by means of this single example he is refuting Kautsky! It is a pity, however, that Mr. Bulgakov forgets to inform his readers that Kautsky himself points to the break-up of large estates and the growth of peasant tenant farming in the East Elbe province and, in doing so, explains, as we shall see later, the real significance of these processes.

Kautsky points to the concentration of mortgage institutions as proof that the concentration of land ownership is taking place in countries in which mortgage debts exist. Mr. Bulgakov thinks that this is no proof. In his opinion, "It might easily be the case that the deconcentration of capital (by the issue of shares) is proceeding side by side with the concentration of credit institutions." Well, we shall not argue with Mr. Bulgakov on this point.

III

After examining the main features of feudal and capitalist agriculture, Kautsky passes on to the question of "large- and small-scale production" in agriculture (Chapter VI). This chapter is one of the best in Kautsky's book. In it he first examines the "technical
superiority of large-scale production.” In deciding the question in favour of large-scale production, Kautsky does not give an abstract formula that ignores the enormous variety of agricultural relations (as Mr. Bulgakov, altogether groundlessly, supposes); on the contrary, he clearly and precisely points to the necessity of taking this variety into account in the practical applications of the theoretical law. In the first place, “it goes without saying” that the superiority of large-scale over small-scale production in agriculture is inevitable only when “all other conditions are equal” (S. 100. My italics). In industry, also, the law of the superiority of large-scale production is not as absolute and as simple as is sometimes thought; there, too, it is the equality of “other conditions” (not always existing in reality) that ensures the full applicability of the law. In agriculture, however, which is distinguished for the incomparably greater complexity and variety of its relations, the full applicability of the law of the superiority of large-scale production is hampered by considerably stricter conditions. For instance, Kautsky very aptly observes that on the borderline between the peasant and the small landlord estates “quantity is transformed into quality”: the big peasant farm may be “economically, if not technically, superior” to the small landlord farm. The employment of a scientifically educated manager (one of the important advantages of large-scale production) is too costly for a small estate; and the management by the owner himself, is very often merely “Junker,” and by no means scientific, management. Secondly, large-scale production in agriculture is superior to small production only up to a certain limit. Kautsky closely investigates this limit further on. It also goes without saying that this limit differs in different branches of agriculture and under different social-economic conditions. Thirdly, Kautsky does not in the least ignore the fact that, “so far” there are branches of agriculture in which, as experts admit, small-scale production can compete with large-scale production; for example, vegetable
gardening, grape growing, industrial crops, etc. (S. 115). But these branches occupy a position quite subordinate to the decisive (entscheidenden) branches of agriculture, viz., the production of grain and animal husbandry. Moreover, "even in vegetable gardening and grape growing there are already fairly successful large-scale enterprises" (S. 115). Hence, "taking agriculture as a whole (in Allgemeinen), those branches in which small-scale production is superior to large-scale production need not be taken into account, and it is quite permissible to say that large-scale production is decidedly superior to small-scale production" (S. 116).

After demonstrating the technical superiority of large-scale production in agriculture (we shall present Kautsky's arguments in greater detail later on in examining Mr. Bulgakov's objections), Kautsky asks: "What can small production offer against the advantages of large-scale production?" And he replies: "The greater diligence and greater care of the worker, who, unlike the hired labourer, works for himself, and the low level of requirements of the small independent farmer, which is even lower than that of the agricultural labourer" (S. 106); and, by adducing a number of striking facts concerning the position of the peasants in France, England, and Germany, Kautsky leaves no doubt whatever about "overwork and under-consumption in small-scale production."

Finally, he points out that the superiority of large-scale production also finds expression in the striving of farmers to form associations: "Associated production is large-scale production." The fuss made by the ideologists of the petty bourgeoisie in general, and the Russian Narodniks in particular (e.g., the above-mentioned book by Mr. Kablukov), over the small farmers' associations is well known. The more significant, therefore, is Kautsky's excellent analysis of the role of these associations. Of course, the small farmers' associations are a link in economic progress; but they express a transition to capitalism (Fortschritt zum Kapitalismus)
and not toward collectivism, as is often thought and asserted (S. 118). Associations do not diminish but enhance the superiority (Vorsprung) of large-scale over small-scale production in agriculture, because the big farmers enjoy greater opportunities of forming associations and take greater advantage of these opportunities. It goes without saying that Kautsky very emphatically maintains that communal, collective large-scale production is superior to capitalist large-scale production. He deals with the experiments in collective farming made in England by the followers of Robert Owen and with analogous communes in the United States of North America. All these experiments, says Kautsky, irrefutably prove that it is quite possible for workers to carry on large-scale modern farming collectively, but that for this possibility to become a reality "a number of definite economic, political, and intellectual conditions" are necessary. The transition of the small producer (both artisan and peasant) to collective production is hindered by the extremely low development of solidarity and discipline, the isolation, and the "property-owner fanaticism," noted not only among West-European peasants, but, let us add, also among the Russian "commune" peasants (recall A.N. Engelhardt and G. Uspensky). Kautsky categorically declares that "it is absurd to expect that the peasant in modern society will go over to communal production" (S. 129).

Such is the extremely rich content of Chapter VI of Kautsky's book. Mr. Bulgakov is particularly displeased with this chapter. Kautsky, we are told, is guilty of the "fundamental sin" of confusing various concepts; "technical advantages are confused with economic advantages." Kautsky "proceeds from the false assumption that the technically more perfect mode of production is also economically more perfect, i.e., more viable." Mr. Bulgakov's

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7 On pages 124–26 Kautsky describes the agricultural commune in Ralahine, of which, incidentally, Mr. Kioneo tells his Russian readers in Russkoye Bogatstvo, No. 2, for this year.
emphatic statement is altogether groundless, of which, we hope, the reader has been convinced by our exposition of Kautsky’s line of argument. Without in the least confusing technique with economics, Kautsky rightly investigates the question of the relation of large-scale to small-scale production in agriculture, other conditions being equal, under the capitalist system of production. In the opening sentence of the first section of Chapter VI Kautsky points precisely to this connection between the level of development of capitalism and the degree of the general applicability of the law of the superiority of large-scale agriculture: “The more capitalist agriculture becomes, the more it develops the qualitative difference between the techniques of small- and large-scale production” (S. 92). This qualitative difference did not exist in pre-capitalist agriculture. What then can be said of this stern admonition to which Mr. Bulgakov treats Kautsky: “In point of fact, the question should have been put as follows: what significance

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The only thing Mr. Bulgakov could quote in support of his claim is the title Kautsky gave to the first section of his Chapter VI: “(a) The Technical Superiority of Large-Scale Production,” although this section deals with both the technical and the economic advantages of large-scale production. But does this prove that Kautsky confuses technique with economics? And, strictly speaking, it is still an open question as to whether Kautsky’s title is inexact. The point is that Kautsky’s object was to contrast the content of the first and second sections of Chapter VI: in the first section (a) he deals with the technical superiority of large-scale production in capitalist agriculture, and here, in addition to machinery, etc., he mentions, for instance, credit. “A peculiar sort of technical superiority,” says Mr. Bulgakov ironically. But Rire bien qui rira le dernier! (He laughs best who laughs last.—Ed.) Glance into Kautsky’s book and you will see that he has in mind, principally, the progress made in the technique of credit business (and further on in the technique of trading), which is accessible only to the big farmer. On the other hand, in the second section of this chapter (b) he compares the quantity of labour expended and the rate of consumption by the workers in large-scale production with those in small-scale production. Consequently, in this part Kautsky examines the purely economic difference between small- and large-scale production. The economics of credit and commerce is the same for both; but the technique is different.
in the competition between large- and small-scale production can any of the specific features of either of these forms of production have under the present social-economic conditions?" This "correction" bears the same character as the one we examined above.

Let us see now how Mr. Bulgakov refutes Kautsky's arguments in favour of the technical superiority of large-scale production in agriculture. Kautsky says: "One of the most important features distinguishing agriculture from industry is that in agriculture production in the proper sense of the word [Wirtschaftsbetrieb, an economic enterprise] is usually connected with the household (Haushalt), which is not the case in industry." That the larger household has the advantage over the small household in the saving of labour and materials hardly needs proof... The former purchases (note this! V.I.) "kerosene, chicory, and margarine wholesale; the latter purchases these articles retail, etc." (S. 93). Mr. Bulgakov "corrects": "Kautsky did not mean to say that this was technically more advantageous, but that it cost less!... Is it not clear that in this case (as in all the others) Mr. Bulgakov's attempt to "correct" Kautsky was more than unfortunate? "This argument," continues the stern critic, "is also very questionable in itself, because under certain conditions the value of the product may not include the value of the scattered huts, whereas the value of a common house is included, even with the interest added. This, too, depends upon social-economic conditions, which—and not the alleged technical advantages of large-scale over small-scale production—should have been investigated."... In the first place, Mr. Bulgakov forgets the trifle that Kautsky, after comparing the significance of large-scale production with that of small-scale production, all other conditions being equal, proceeds to examine these conditions in detail. Consequently, Mr. Bulgakov wants to throw different questions together. Secondly, how is it that the value of the peasants' huts does not enter into the value of the
product? Only because the peasant "does not count" the value of
the timber he uses or the labour he expends in building and
repairing his hut. Insofar as the peasant still conducts a natural
economy, he, of course, may "not count" his labour; there is no
justification for Mr. Bulgakov's not telling his readers that Kautsky
very clearly and precisely points this out on pp. 165-67 of his book
(Chapter VIII, "The Proletarisation of the Peasant"). But we are
now discussing the "social-economic condition" of capitalism and
not of natural economy or of simple commodity production.
Under capitalist social conditions "not to count" one's labour
means to work for nothing (for the merchant or another
capitalist); it means to work for incomplete remuneration for the
labour-power expended; it means to lower the level of consumption
below the standard. As we have seen, Kautsky fully recognized
and correctly appraised this distinguishing feature of small
production. In his objection to Kautsky, Mr. Bulgakov repeats
the usual trick and the usual mistake of the bourgeois and petty-
bourgeois economists. These economists have deafened us with
their praises of the "viability" of the small peasant, who, they say,
need not count his own labour, or chase after profit and rent, etc.
These good people merely forget that such arguments confuse the
"social-economic conditions" of natural economy, simple
commodity production, and capitalism. Kautsky excellently
explains all these mistakes and draws a strict distinction between the
various systems of social-economic relations. He says: "If the
agricultural production of the small peasant is not drawn into the
sphere of commodity production, if it is merely a part of household
economy, it also remains outside the sphere of the centralizing
tendencies of the modern mode of production. However irrational
his parcellized economy may be, no matter what waste of effort it
may lead to, he clings to it tightly, just as his wife clings to her
wretched household economy, which likewise produces infinitely
miserable results with an enormous expenditure of labour-power, but which represents the only sphere in which she is not subject to another's rule and is free from exploitation" (S. 165). The situation changes when natural economy is supplanted by commodity economy. The peasant then has to sell his produce, purchase implements, and purchase land. As long as the peasant remains a simple commodity producer, he can be satisfied with the standard of living of the wage-worker; he needs neither profit nor rent; he can pay a higher price for land than the capitalist entrepreneur (S. 166). But simple commodity production is supplanted by capitalist production. If, for instance, the peasant has mortgaged his land, he must also obtain the rent which he has sold to the creditor. At this stage of development the peasant can only formally be regarded as a simple commodity producer. De facto, he usually has to deal with the capitalist—the creditor, the merchant, the industrial entrepreneur—from whom he must seek "auxiliary employment," i.e., to whom he must sell his labour-power. At this stage—and Kautsky, we repeat, compares large-scale with small-scale farming in capitalist society—the possibility for the peasant "not to count his labour" means only one thing to him, namely, to work himself to death and continually to cut down his consumption.

Equally unsound are the other objections raised by Mr. Bulgakov. Small-scale production permits of the employment of machinery within narrower limits; the small proprietor finds credit more difficult to obtain and more expensive, says Kautsky. Mr. Bulgakov considers these arguments false and refers to—peasant associations! He completely ignores the evidence brought forward by Kautsky, whose appraisal of these associations and their significance we quoted above. On the question of machinery, Mr. Bulgakov again reproaches Kautsky for not raising the "more general economic question: What, upon the whole, is the economic role of machinery in agriculture [Mr. Bulgakov has forgotten
Chapter IV of Kautsky’s book! and is it as inevitable an instrument in agriculture as in manufacturing industry?” Kautsky clearly pointed to the capitalist nature of the use of machinery in modern agriculture (S. 39, 40, et seq.); noted the specific features of agriculture which create “technical and economic difficulties” for the employment of machinery in agriculture (S. 38, et seq.); and adduced data on the growing employment of machinery (S. 40), on its technical significance (42, et seq.), and on the role of steam and electricity. Kautsky indicated the size of farm necessary, according to agronomic data, for making the fullest use of various machines (94), and pointed out that according to the German census of 1895 the employment of machinery steadily and rapidly increases from the small farms to the big ones (2 per cent in farms up to two hectares, 13.8 per cent in farms of 2 to 5 hectares, 45.8 per cent in farms of 5 to 20 hectares, 78.8 per cent in farms of 20 to 100 hectares, and 94.2 per cent in farms of 100 and more hectares). Instead of these figures, Mr. Bulgakov would have preferred “general” arguments about the “invincibility” or non-invincibility of machines!

“The argument that a larger number of draught animals per hectare is employed in small-scale production is unconvincing . . . because the relative intensity of animal maintenance per farm . . . is not investigated”—says Mr. Bulgakov. We open Kautsky’s book at the page that contains this argument and read the following: “The large number of cows in small-scale farming [per 1,000 hectares] is to no small extent also determined by the fact that the peasant engages more in animal husbandry and less in the production of grain than the big farmer; but this does not explain the difference in the number of horses maintained” (page 96, on which are quoted figures for Saxony for 1860, for the whole of Germany for 1883, and for England for 1880). We remind the reader of the fact that in Russia the Zemstvo statistics reveal the same law expressing the superiority of large-scale over small-scale
farming: the big peasant farms manage with a smaller number of cattle and implements per unit of land.⁹

Mr. Bulgakov gives a far from complete exposition of Kautsky's arguments on the superiority of large-scale over small-scale production in capitalist agriculture. The superiority of large-scale farming does not only lie in the fact that there is less waste of cultivated area, a saving in livestock and implements, fuller utilization of implements, wider possibilities of employing machinery, and more opportunities for obtaining credit; it also lies in the commercial superiority of large-scale production, the employment in the latter of scientifically trained managers (Kautsky, S. 104). Large-scale farming utilises the co-operation of workers and division of labour to a larger extent. Kautsky attaches particular importance to the scientific, agronomic education of the farmer. "A scientifically well-educated farmer can be employed only by a farm sufficiently large for the work of management and supervision to engage fully the person's labour-power" (S. 98: "The size of such farms varies, according to the type of production," from three hectares of vineyards to 500 hectares of extensive farming). In this connection Kautsky mentions the interesting and extremely characteristic fact that the establishment of primary and secondary agricultural schools benefits the big farmer and not the peasant by providing the former with employees (the same thing is observed in Russia). "The higher education that is required for fully rationalized production is hardly compatible with the peasants' present conditions of existence. This, of course, is a condemnation, not of higher education, but of the peasants' conditions of life. It merely means that peasant production is able to exist side by side with large-scale production, not because of its higher productivity, but because of its lower requirements" (S.

⁹ See V. Y. Postnikov, Peasant Farming in South Russia. Cf. V. Ilyin, The Development of Capitalism, Chapter II, Section I.
Large-scale production must employ, not only peasant labourers, but also urban workers, whose requirements are on an incomparably higher level.

Mr. Bulgakov calls the highly interesting and important data which Kautsky adduces to prove "overwork and under-consumption in small-scale production" "a few [!] casual [??] quotations." Mr. Bulgakov "undertakes" to cite as many "quotations of an opposite character." He merely forgets to say whether he also undertakes to make an opposite assertion which he would prove by "quotations of an opposite character." This is the whole point! Does Mr. Bulgakov undertake to assert that large-scale production in capitalist society differs from peasant production in the prevalence of overwork and the lower consumption of its workers? Mr. Bulgakov is too cautious to make such a ludicrous assertion. He considers it possible to avoid the fact of the peasants' overwork and lower consumption by remarking that "in some places peasants are prosperous and in other places they are poor"!! What would be said of an economist who, instead of generalizing the data on the position of small- and large-scale production, began to investigate the difference in the "prosperity" of the population of various "places"? What would be said of an economist who evaded the overwork and lower consumption of handicraftsmen, as compared with factory workers, with the remark that "in some places handicraftsmen are prosperous and in other places they are poor"? Incidentally, a word about handicraftsmen. Mr. Bulgakov writes: "Apparently Kautsky was mentally drawing a parallel with Hausindustrie,\textsuperscript{10} where there are no technical limits to overwork [as in agriculture], but this parallel is unsuitable here." Apparently, we say in reply, Mr. Bulgakov was astonishingly inattentive to the book he was criticising, for Kautsky did not "mentally draw a parallel" with

\textsuperscript{10} Domestic industry.—\textit{Ed.}
Hausindustrie, but pointed to it directly and precisely on the very first page of that part of the chapter which deals with the question of overwork (Chapter VI, b, S. 106): “As in domestic industry (Hausindustrie), the work of the children of the family in small peasant farming is even more harmful than wage-labour for others.” However emphatically Mr. Bulgakov decrees that this parallel is unsuitable here, his opinion is nevertheless entirely erroneous. In industry, overwork has no technical limits; but for the peasantry it is “limited by the technical conditions of agriculture,” argues Mr. Bulgakov. The question arises: who, indeed, confuses technique with economics, Kautsky or Mr. Bulgakov? What has the technique of agriculture, or of domestic industry, to do with the case when facts prove that the small producer in agriculture and in industry drives his children to work at an earlier age, works more hours per day, lives “more frugally,” and cuts down his requirements to such a level that he stands out in a civilized country as a real “barbarian” (Marx’s expression)? Can the economic similarity of such phenomena in agriculture and in industry be denied on the grounds that agriculture has a large number of specific features (which Kautsky does not forget in the least)? “The small peasant could not put in more work than his field requires even if he wanted to,” says Mr. Bulgakov. But the small peasant can and does work fourteen, and not twelve, hours a day; he can and does work with that super-normal intensity which wears out his nerves and muscles much more quickly than the normal intensity. Moreover, what an incorrect and extreme abstraction it is to reduce all the peasant’s work to field work! You will find nothing of the kind in Kautsky’s book. Kautsky knows perfectly well that the peasant also works in the household, works on building and repairing his hut, his cowshed, his implements, etc., “not counting” all this additional work, for which a wage-worker on a big farm would demand payment at the usual rate. Is it not clear to every unprejudiced person that overwork has
incomparably wider limits for the peasant—for the small farmer—than for the small industrial producer if he is only such? The overwork of the small farmer is strikingly demonstrated as a universal phenomenon by the fact that all bourgeois writers unanimously testify to the "diligence" and "frugality" of the peasant and accuse the workers of "indolence" and "extravagance."

The small peasants, says an investigator of the life of the rural population in Westphalia quoted by Kautsky, overwork their children to such an extent that their physical development is retarded; working for wages has not such bad sides. A small Lincolnshire farmer stated the following to the parliamentary commission which investigated agrarian conditions in England (1897): "I have brought up a family and nearly worked them to death." Another said: "I and my children have been working eighteen hours a day for several days and average ten to twelve during the year." A third: "We work much harder than labourers, in fact, like slaves." Mr. Read described to the same commission the conditions of the small farmer, in the districts where agriculture in the strict sense of the word predominates, in the following manner: "The only way in which he can possibly succeed is this, in doing the work of two agricultural labourers and living at the expense of one . . . as regards his family, they are worse educated and harder worked than the children of the agricultural labourers" (Royal Commission on Agriculture, Final Report, pp. 34, 358. Quoted by Kautsky, S. 109). Will Mr. Bulgakov assert that not less frequently a day labourer does the work of two peasants? Particularly characteristic is the following fact cited by Kautsky showing that "the peasant art of starvation (Hungerkunst) may lead to the economic superiority of small production": a comparison of the profitableness of two peasant farms in Baden shows a deficit of 933 marks in one, the large one, and a surplus of 191 marks in the other, which was only half the size of the first. But the first farm, which was conducted exclusively with the aid of
hired labourers, had to feed the latter properly, at a cost of nearly one mark (about 45 kopeks) per person per day; whereas the smaller farm was conducted exclusively with the aid of the members of the family (the wife and six grown-up children), whose maintenance cost only half the amount spent on the day labourers: 48 pfennigs per person per day. If the family of the small peasant had been fed as well as the labourers hired by the big farmer, the small farmer would have suffered a deficit of 1,250 marks! “His surplus came, not from his full corn bins, but from his empty stomach.” What a huge number of similar examples would be discovered, were the comparison of the “profitableness” of large and small farms accompanied by calculation of the consumption and work of peasants and of wage-workers. Here is another calculation of the higher profit of a small farm (4.6 hectares) as compared with a big farm (26.5 hectares), a calculation made in one of the special magazines. But how is this higher profit obtained?—asks Kautsky. It turns out that the small farmer is assisted by his children, assisted from the time they begin to walk; whereas the big farmer has to spend money on his children (school, gymnasium). In the small farm even the old people, over 70 years of age, “take the place of a full worker.” “An ordinary day labourer, particularly on a big farm, goes about his work and thinks to himself: ‘I wish it was knocking-off time.’ The small peasant, however, at all events in all the busy seasons, thinks to himself: ‘Oh, if only the day were an hour or two longer.’” The small producers, the author of this article in the agricultural magazine says didactically, make better use of their time in the busy seasons: “They rise earlier, retire later and work more quickly, whereas the labourers employed by the big farmer do not want to get up earlier, go to bed later or work harder than at other times.” The peasant is able to obtain a net income thanks to the “simple” life he

Cf. V. Ilyin, The Development of Capitalism in Russia, pp. 112, 175, 201.
leads: he lives in a mud hut built mainly by the labour of his family; his wife has been married for 17 years and has worn out only one pair of shoes; usually she goes barefoot, or in wooden sabots; and she makes all the clothes for her family. Their food consists of potatoes, milk, and on rare occasions, herring. Only on Sundays does the husband smoke a pipe of tobacco. "These people did not realize that they were leading a particularly simple life and did not express dissatisfaction with their position . . . . Following this simple way of life, they obtained nearly every year a small surplus from their farm."

IV

After completing his analysis of the interrelations between large- and small-scale production in capitalist agriculture, Kautsky proceeds to make a special investigation of the "limits of capitalist agriculture" (Chapter VII). Kautsky says that objection to the theory that large-scale farming is superior to small-scale is raised mainly by the "friends of humanity" (we almost said, friends of the people . . . ) among the bourgeoisie, the pure Free Traders, and the agrarians. Many economists have recently been advocating small-scale farming. The statistics usually cited are those showing that big farms are not eliminating small farms. And Kautsky quotes these statistics: in Germany, from 1882 to 1895, it was the area of the medium-sized farms that increased the most; in France, from 1882 to 1892, it was the area of the smallest and biggest farms that increased the most; the area of the medium-sized farms diminished. In England, from 1885 to 1895, the area of the smallest and the biggest farms diminished; it was the area of the farms ranging from 40 to 120 hectares (100 to 300 acres), i.e., farms that cannot be put in the category of small farms, which increased most. In America, the average area of farms is diminishing: in 1850 it was 203 acres; in 1860—199 acres; in 1870—153 acres; in 1880—134 acres; and in 1890—137 acres. Kautsky makes a closer examination
of the American statistics and, Mr. Bulgakov's opinion notwithstanding, his analysis is extremely important from the standpoint of principle. The main reason for the diminution in the average farm area is the break-up of the large plantations in the South after the emancipation of the Negroes; in the Southern States the average farm area diminished by more than one-half. "Not a single person who understands the subject will regard these figures as evidence of the victory of small-scale over modern [capitalist] large-scale production." In general, an analysis of American statistics by regions shows a large variety of relations. In the principal "wheat states," in the northern part of the Middle West, the average farm area increased from 122 to 133 acres. "Small-scale production becomes predominant only in those places where agriculture is in a state of decline, or where pre-capitalist, large-scale production enters into competition with peasant production" (135). This conclusion of Kautsky is very important, for it shows that if certain conditions are not adhered to, the handling of statistics may become merely mishandling: a distinction must be drawn between capitalist and pre-capitalist large-scale production. A detailed analysis must be made for separate districts that differ materially from one another in the forms of farming and in the historical conditions of its development. It is said, "Figures prove!" But one must analyse the figures to see what they prove. They only prove what they directly say. The figures do not speak directly of the scale on which production is carried on, but of the area of the farms. It is possible, and in fact it so happens, that "with intensive farming, production can be carried on upon a larger scale on a small estate than on a large estate extensively farmed." "Statistics that tell us only about the area of farms tell us nothing as to whether the diminution of their area is due to the actual diminution of the scale of farming, or to its intensification" (146). Forestry and pastoral farming, these first forms of capitalist large-scale farming, permit of the
largest area of estates. Field cultivation requires a smaller area. But the various systems of field cultivation differ from one another in this respect: the exhaustive, extensive system of farming (which has prevailed in America up to now) permits of huge farms (up to 10,000 hectares, such as the *bonanza farms*\(^\text{12}\) of Dalrymple, Glenn, and others. In our steppes, too, peasant farms, and particularly merchants' farms, attain such dimensions). The introduction of fertilizers, etc., necessarily leads to a diminution in the area of farms, which in Europe, for instance, are smaller than in America. The transition from field farming to animal husbandry again causes a diminution in the area of farms: in England, in 1880, the average size of livestock farms was 52.3 acres, whereas that of field farms was 74.2 acres. That is why the transition from field farming to animal husbandry which is taking place in England *must* give rise to a tendency for the area of farms to diminish. “But it would be judging very superficially if the conclusion were drawn from this that there has been a decline in production” (149). In East Elbe (by the investigation of which Mr. Bulgakov hopes some time to refute Kautsky), it is precisely the introduction of intensive farming that is taking place: the big farmers, says Sering, whom Kautsky quotes, are increasing the productivity of their soil and are selling or leasing to peasants the remote parts of their estates, since with intensive farming it is difficult to utilize these remote parts. “Thus, large estates in East Elbe are being reduced in size and in their vicinity small peasant farms are being established; this, however, is not because small-scale production is superior to large-scale, but because the former dimensions of the estates were adapted to the needs of extensive farming” (150). The diminution in farm area in all these cases usually leads to an increase in the quantity of products (per unit of land) and frequently to an

\(^{12}\) These words are in English in the original.—*Ed.*
increase in the number of workers employed, i.e., to an actual *increase* in the scale of production.

From this it is clear how little is proved by general agricultural statistics on the *area* of farms, and how cautiously one must handle them. In industrial statistics we have *direct* indices of the scale of production (quantity of goods, total value of the output, and number of workers employed), and, besides, it is easy to distinguish the different branches. Agricultural statistics hardly ever satisfy these necessary conditions of evidence.

Furthermore, the monopoly in landed property limits agricultural capitalism: in industry, capital grows as a result of *accumulation*, as a result of the conversion of surplus-value into capital; *centralization*, i.e., the amalgamation of several small units of capital into a large unit, plays a lesser role. In agriculture, the situation is different. The whole of the land is occupied (in civilized countries), and it is possible to enlarge the area of a farm only by *centralizing* several lots; this must be done in such a way as to form *one continuous area*. Clearly, enlarging an estate by purchasing the surrounding lots is a very difficult matter, particularly in view of the fact that the small lots are partly occupied by agricultural labourers (whom the big farmer needs), and partly by small peasants who are masters of the art of maintaining their hold by reducing consumption to an unbelievable minimum. For some reason or other the statement of this simple and very clear fact, which indicates the limits of agricultural capitalism, seemed to Mr. Bulgakov to be a mere “phrase” (??!!) and provided a pretext for the most groundless rejoicing: “And so [!], the superiority of large-scale production comes to grief [!] at the very first obstacle.”

First, Mr. Bulgakov misunderstands the law of the superiority of large-scale production, ascribing to it excessive abstractness, from which Kautsky is very remote, and then turns his misunderstanding into an argument against Kautsky! Truly strange is Mr. Bulgakov’s belief that he can refute Kautsky by referring to Ireland (large
landed property, but without large-scale production). The fact that large landed property is one of the conditions of large-scale production does not in the least signify that it is a sufficient condition. Of course, Kautsky could not examine the historical and other causes of the specific features of Ireland, or of any other country, in a general work on capitalism in agriculture. It would not occur to anyone to demand that Marx, in analysing the general laws of capitalism in industry, should have explained why small industry continued longer in France, why industry was developing slowly in Italy, etc. Equally groundless is Mr. Bulgakov’s assertion that concentration “could” proceed gradually: it is not as easy to enlarge estates by purchasing neighbouring lots as it is to add new premises to a factory for an additional number of machines, etc.

In referring to this purely fictitious possibility of the gradual concentration, or renting, of land for the purpose of forming large farms, Mr. Bulgakov paid little attention to the really specific feature of agriculture in the process of concentration—a feature which Kautsky indicated. This is the latifundia, the concentration of several estates in the hands of a single owner. Statistics usually register the number of individual estates and tell us nothing about the process of concentration of various estates in the hands of big landowners. Kautsky cites very striking instances, in Germany and Austria, of such concentration which leads to a special and higher form of large-scale capitalist farming in which several large estates are combined to form a single economic unit managed by a single central body. Such gigantic agricultural enterprises make possible the combination of the most varied branches of agriculture and the most extensive use of the advantages of large-scale production.

The reader will see how remote Kautsky is from abstractness and from a stereotyped understanding of “Marx’s theory,” to which he remains true. Kautsky warned against this stereotyped understanding, even inserting a special section on the doom of
small-scale production in industry in the chapter under discussion. He rightly points out that even in industry the victory of large-scale production is not so easy of achievement, and is not so uniform, as those who talk about Marx’s theory being inapplicable to agriculture are in the habit of thinking. It is sufficient to point to capitalist domestic industry; it is sufficient to recall the remark Marx made about the extreme variety of transitional and mixed forms which obscure the victory of the factory system. How much more complicated this is in agriculture! The increase in wealth and luxury leads, for example, to millionaires purchasing huge estates which they turn into forests for their pleasures. In Salzburg, in Austria, the number of cattle has been declining since 1869. The reason is the sale of the Alps to rich lovers of the hunt. Kautsky says very aptly that if agricultural statistics are taken in general, and uncritically, it is quite easy to discover in the capitalist mode of production a tendency to transform modern nations into hunting tribes!

Finally, among the conditions setting the limits to capitalist agriculture, Kautsky also points to the fact that the shortage of workers—due to the migration of the rural population—compels the big landowners to allot land to labourers, to create a small peasantry to provide labour-power for the landlord. An absolutely propertyless agricultural labourer is a rarity, because in agriculture rural economy, in the strict sense, is connected with household economy. Whole categories of agricultural wage-workers own or have the use of land. When small production is eliminated too greatly, the big landowners try to strengthen or revive it by the sale or lease of land. Sering, whom Kautsky quotes, says: “In all European countries, a movement has recently been observed towards . . . settling rural labourers by allotting plots of land to them.” Thus, within the limits of the capitalist mode of production it is impossible to count on small-scale production being entirely eliminated from agriculture, for the capitalists and agrarians themselves strive to
revive it when the ruination of the peasantry has gone too far. Marx pointed to this rotation of concentration and parcellisation of the land in capitalist society as far back as 1850, in the Neue Rheinische Zeitung.

Mr. Bulgakov is of the opinion that these arguments of Kautsky contain “an element of truth, but still more of error.” Like all Mr. Bulgakov’s other verdicts, this one has also extremely weak and nebulous grounds. Mr. Bulgakov thinks that Kautsky has “constructed a theory of proletarian small-scale production,” and that this theory is true for a very limited region. We hold a different opinion. The agricultural wage-labour of small cultivators (or what is the same thing, the agricultural labourer and day labourer with an allotment) is a phenomenon characteristic, more or less, of all capitalist countries. No writer who desires to describe capitalism in agriculture can, without violating the truth, leave this phenomenon in the background.13 Kautsky, in Chapter VIII of his book, viz., “The Proletarisation of the Peasant,” adduces extensive evidence to prove that in Germany, in particular, proletarian small-scale production is general. Mr. Bulgakov’s statement that other writers, including Mr. Kablukov, have pointed to the “shortage of workers” leaves the most important thing in the background—the enormous difference in principle between Mr. Kablukov’s theory and Kautsky’s theory. Because of his characteristically Kleinbürger14 point of view, Mr. Kablukov “constructs” out of the shortage of workers the theory that large-scale production is unsound and that small-scale production is sound. Kautsky gives an accurate description of the facts and indicates their true significance in modern class society: the class

13 Cf. The Development of Capitalism in Russia, Chapter II, Section XII, p. 120. It is estimated that in France about 75 per cent of the rural labourers own land. Other examples are also given.
14 Petty-bourgeois.—Ed.
interests of the landowners compel them to strive to allot land to the workers. As far as class position is concerned, the agricultural wage-workers with allotments are situated between the petty bourgeoisie and the proletariat, but closer to the latter. In other words, Mr. Kablukov develops one side of a complicated process into a theory of the unsoundness of large-scale production, whereas Kautsky analyses the special forms of social-economic relations created by the interests of large-scale production at a certain stage of its development and under certain historical conditions.

We shall now pass to the next chapter of Kautsky's book, the title of which we have just quoted. In this chapter Kautsky investigates, firstly, the "tendency toward the parcellization of landholdings," and, secondly, the "forms of peasant auxiliary employments." Thus, here are depicted those extremely important trends of capitalism in agriculture that are typical of the overwhelming majority of capitalist countries. Kautsky says that the break-up of landholdings leads to an increased demand for small plots on the part of small peasants, who pay a higher price for the land than the big farmers. Several writers have adduced this fact to prove that small-scale farming is superior to large-scale farming. Kautsky very appropriately replies to this by comparing the price of land with the price of houses: it is well known that small and cheap houses are dearer per unit of capacity (per cubic foot, etc.) than large and costly houses. The higher price of small plots of land is not due to the superiority of small-scale farming, but to the particularly oppressed condition of the peasant. The enormous number of dwarf farms that capitalism has called into being is seen from the following figures: in Germany (1895), out of 5,500,000 farms, 4,250,000, i.e., more than three-fourths, are of an area of less than five hectares (58 per cent are less than two hectares). In Belgium, 78 per cent (709,500 out of
909,000) are less than two hectares. In England (1895), 118,000 out of 520,000 are less than two hectares. In France (1892), 2,200,000 (out of 5,700,000) are less than one hectare; 4,000,000 are less than five hectares. Mr. Bulgakov thinks that he can refute Kautsky's argument that these dwarf farms are very irrational (insufficient cattle, implements, money, and labour-power which is diverted to auxiliary occupations) by arguing that “very often” (?) the land is spade-tilled “with an incredible degree of intensity,” although . . . with “an extremely irrational expenditure of labour-power.” It goes without saying that this objection is totally groundless, that individual examples of excellent cultivation of the soil by small peasants are as little able to refute Kautsky's general characterization of this type of farming as the above-quoted example of the greater profitableness of a small farm is able to refute the thesis of the superiority of large-scale production. That Kautsky is quite right in placing these farms, taken as a whole,\footnote{We emphasise "taken as a whole," because it cannot, of course, be denied that in certain cases even these farms having an insignificant area of land can provide a large quantity of products and a large income (vineyards, vegetable gardens, etc.). But what would we say of an economist who tried to refute the reference to the lack of horses among Russian peasants by pointing, for instance, to the vegetable growers in the suburbs of Moscow who may sometimes carry on rational and profitable farming without horses?} in the proletarian category is seen from the fact, revealed by the German census of 1895, that very many of the small farmers cannot dispense with subsidiary earnings. Of a total of 4,700,000 persons obtaining an independent livelihood in agriculture, 2,700,000 or 57\% cent, have subsidiary earnings. Of 3,200,000 farms of less than two hectares each, only 400,000 or 13\% cent, have no subsidiary incomes! In the whole of Germany, out of 5,500,000 farms, 1,500,000 belong to agricultural and industrial wage-workers (+704,000 to artisans). And after this Mr. Bulgakov presumes to assert that the theory of proletarian small
landholdings was "constructed" by Kautsky! Kautsky thoroughly investigated the forms assumed by the proletarisation of the peasantry (the forms of peasant auxiliary employment) S. 174-93). Unfortunately, space does not permit us to deal in detail with his description of these forms (agricultural work for wages, domestic industry—*Hausindustrie*, "the vilest system of capitalist exploitation"—work in factories and mines, etc.). Our only observation is that Kautsky makes the same appraisal of *auxiliary*

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* In a footnote to page 15, Mr. Bulgakov says that Kautsky, believing that grain duties were not in the interest of the overwhelming majority of the rural population, repeats the mistake committed by authors of the book on grain prices. We cannot agree with this opinion either. The authors of the book on grain prices made a large number of mistakes (which I indicated repeatedly in the above-mentioned book); but there is no mistake whatever in admitting that high grain prices are not in the interests of the mass of the population. What is a mistake is the *direct* deduction that the interests of the masses coincide with the interests of the whole social development. Messrs. Tugan-Baranovsky and Struve have rightly pointed out that the *criterion* in appraising grain prices must be whether, more or less rapidly, through capitalism, they eliminate labour-service, whether they stimulate social development. This is a question of fact which I answer differently from the way Struve does. I do not at all regard it as proved that the development of capitalism in agriculture is retarded by low prices. On the contrary, the particularly rapid growth of the agricultural machinery industry and the stimulus to specialization in agriculture which was given by the reduction of grain prices show that low prices *stimulate* the development of capitalism in Russian agriculture (cf. *The Development of Capitalism in Russia*, Chapter III, Section V, p. 147, footnote 2). The reduction of grain prices has a profound transforming effect upon all other relations in agriculture.

Mr. Bulgakov says: "One of the important conditions for the intensification of farming is the raising of grain prices." (The same opinion is expressed by Mr. P.S. in the "Review of Home Affairs" column, p. 299 in the same issue of *Nachalo*.) This is inexact. Marx showed in Part VI of Volume III of *Capital* that the productivity of additional capital invested in land may diminish, *but may also increase*, with a reduction in the price of grain, rent may fall, *but it may also rise*. Consequently, intensification may be due—in different historical periods and in different countries—to altogether different conditions, irrespective of the level of grain prices.
employment as that made by Russian economists. Migratory workers are less developed and have a lower level of requirements than urban workers; not infrequently, they have a harmful effect on the living conditions of the urban workers. “But for those places from which they come and to which they return they are pioneers of progress . . . . They acquire new wants and new ideas” (S. 192), they awaken among the backwoods peasants consciousness, a sense of human dignity, and confidence in their own strength.

In conclusion we shall deal with the last and particularly sharp attack Mr. Bulgakov makes upon Kautsky. Kautsky says that in Germany, from 1882 to 1895 it was the smallest (in area) and the largest farms that grew most in number (so that the parcellization of the land proceeded at the expense of the medium farms). Indeed, the number of farms under one hectare increased by 8.8 per cent; those of 5 to 20 hectares increased by 7.8 per cent; while those of over 1,000 hectares increased by 11 per cent (the number of those in the intervening categories hardly increased at all, while the total number of farms increased by 5.3 per cent). Mr. Bulgakov is extremely indignant because the percentage is taken of the biggest farms, the number of which is insignificant (515 and 572 for the respective years). Mr. Bulgakov’s indignation is quite groundless. He forgets that these farms, insignificant in number, are the largest in size and that they occupy nearly as much land as 2,300,000 to 2,500,000 dwarf farms (up to one hectare). If I were to say that the number of very big factories in a country, those employing 1,000 and more workers, increased, say, from 51 to 57, by 11 per cent, while the total number of factories increased 5.3 per cent, would not that show an increase in large-scale production, notwithstanding the fact that the number of very large factories may be insignificant as compared with the total number of factories? Kautsky is fully aware of the fact that it was the peasant farms of from 5 to 20 hectares which grew most in total area.
Kautsky then takes the changes in area in the various categories in 1882 and 1895. It appears that the largest increase (+563,477 hectares) occurred among the peasant farms of from 5 to 20 hectares, and the next largest among the biggest farms, those of more than 1000 hectares (+94,014), whereas the area of farms of from 20 to 1,000 hectares diminished by 86,809 hectares. Farms up to one hectare increased their area by 32,683 hectares, and those from 1 to 5 hectares, by 45,604 hectares.

And Kautsky draws the following conclusion: the diminution in the area of farms of from 20 to 1,000 hectares (more than balanced by an increase in the area of farms of 1,000 hectares and over) is due, not to the decline of large-scale production, but to its intensification. We have already seen that intensive farming is making progress in Germany and that it frequently requires a diminution in the area of farms. That there is intensification of large-scale production can be seen from the growing utilization of steam-driven machinery, as well as from the enormous increase in the number of agricultural non-manual employees, who in Germany are employed only on large farms. The number of estate managers (inspectors), overseers, bookkeepers, etc., increased from 47,465 in 1882 to 76,978 in 1895, i.e., by 62 per cent; the percentage of women among these employees increased from 12 to 23.4.

“All this shows clearly how much more intensive and more capitalist large-scale farming has become since the beginning of the eighties. The next chapter will explain why simultaneously there has been such a big increase in the area of middle-peasant farms” (S. 174).

Mr. Bulgakov regards this description as being “in crying contradiction to reality,” but the arguments he falls back on again fail to justify such an emphatic and bold verdict, and not by one
iota do they shake Kautsky's conclusion. "In the first place, the intensification of farming, if it took place, would not in itself explain the relative and absolute diminution of the cultivated area, the diminution of the total proportion of farms in the 20- to 1,000-hectare group. The cultivated area could have increased simultaneously with the increase in the number of farms. The latter need merely (sic!) have increased somewhat faster, so that the area of each farm would have diminished." 17

We have deliberately quoted in full this argument, from which Mr. Bulgakov draws the conclusion that "the diminution in the size of farms owing to the growth of intensive farming is pure fantasy" (sic!), because it strikingly reveals the very mistake of mishandling "statistics" against which Kautsky seriously warned. Mr. Bulgakov puts ridiculously strict demands upon the statistics of the area of farms and ascribes to these statistics a significance which they never can have. Why, indeed, should the cultivated area have increased "somewhat"? Why "should not" the intensification of farming (which, as we have seen, sometimes leads to the sale and renting to peasants of parts of estates remote from the centre) have shifted a certain number of farms from a higher category to a lower? Why "should it not" have diminished the cultivated area of farms of from 20 to 1,000 hectares? 18 In industrial statistics a reduction in the output of the very big factories would have indicated a decline in large-scale production. But the diminution in area of large estates by 1.2 per cent does not and cannot indicate the volume of production, which very often

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17 Mr. Bulgakov adduces data, in still greater detail, but they add nothing whatever to Kautsky's data, since they show the same increase in the number of farms in one group of big proprietors and a reduction in the land area.

18 There was a reduction in this category from 16,986,101 hectares to 16,802,115 hectares, i.e., by a whole ... 1.2 per cent! Does not this speak in favour of the 'death agony' of large-scale production seen by Mr. Bulgakov?
increases with a decrease in the area of the farm. We know that the process of livestock breeding replacing grain farming, particularly marked in England, is going on in Europe as a whole. We know that sometimes this change causes a decrease in the farm area; but would it not be strange to draw from this the conclusion that the smaller farm area implied a decline in large-scale production? That is why, incidentally, the “eloquent table” given by Mr. Bulgakov on page 20, showing the reduction in the number of large and small farms and the increase in the number of medium farms (5 to 20 hectares) possessing animals for field work, proves nothing at all. This may have been due to a change in the system of farming.

That large-scale agricultural production in Germany has become more intensive and more capitalist is evident, firstly, from the increase in the number of steam-driven machines employed: from 1879 to 1897 their number increased fivefold. It is quite useless for Mr. Bulgakov to argue in his objection that the number of all machines in general (and not steam-driven machines only) owned by small farms (up to 20 hectares) is much larger than that owned by the large farms; and also that in America machines are employed in extensive farming. We are not discussing America now, but Germany, where there are no bonanza farms.\(^9\) The following table gives the percentage of farms in Germany (1895) employing steam ploughs and steam threshing machines:

\(^{9}\) There words are in English in the original.—Ed.
And now, if the total number of steam-driven machines employed in agriculture in Germany has increased fivefold, does it not prove that large-scale farming has become more intensive? Only it must not be forgotten, as Mr. Bulgakov forgets on page 21, that an increase in the size of enterprises in agriculture is not always identical with an increase in the area of farms.

Secondly, the fact that large-scale production has become more capitalist is evident from the increase in the number of agricultural non-manual employees. It is useless for Bulgakov to call this argument of Kautsky a “curiosity”: “an increase in the number of officers, side by side with a reduction of the army”—with a reduction in the number of agricultural wage-workers. Again we say: Rira bien qui rira le dernier! Kautsky not only does not forget the reduction in the number of agricultural labourers, but shows it in detail in regard to a number of countries; only this fact has absolutely nothing to do with the matter in hand, because the rural population as a whole is diminishing, while the number of proletarian small farmers is increasing. Let us assume that the big farmer abandons the production of grain and takes up the production of sugar-beet and the manufacture of sugar (in Germany in 1871–72, 2,200,000 tons of beets were converted into sugar; in 1881–82, 6,300,000 tons; in 1891–92, 9,500,000 tons, and in 1896–97, 13,700,000 tons). He might even sell, or rent, the remote parts of his estate to small peasants, particularly if he needs the wives and children of the peasants as day labourers on the beet plantations. Let us assume that he introduces a steam plough which

What is indeed a curiosity is Mr. Bulgakov’s remark that the increase in the number of non-manual employees testifies, perhaps, to the growth of agricultural industry, but not(!) to the growth of intensive large-scale farming. Until now we have thought one of the most important forms of increased intensification to be the growth of industry in agriculture (described in detail and appraised by Kautsky in Chapter X).
Capitalism in Agriculture

eliminates the former ploughmen (on the beet plantations in Saxony—"models of intensive farming"21—steam ploughs have now come into common use). The number of wage-workers diminishes. The number of higher grade employees (bookkeepers, managers, technicians, etc.) necessarily increases. Will Mr. Bulgakov deny that we see here an increase in intensive farming and capitalism in large-scale production? Will he assert that nothing of the kind is taking place in Germany?

To conclude the exposition of Chapter VIII of Kautsky's book, viz., on the proletarisation of the peasants, we need to quote the following passage. "What interests us here," says Kautsky, after the passage we have cited above, quoted also by Mr. Bulgakov, "is the fact that the proletarisation of the rural population is proceeding in Germany, as in other places, notwithstanding the fact that the tendency to parcelise medium estates has ceased to operate there. From 1882 to 1895 the total number of farms increased by 281,000. By far the greater part of this increase was due to the greater number of proletarian farms up to one hectare in area. The number of these farms increased by 206,000.

"As we see, the development of agriculture is quite a special one, quite different from the development of industrial and trading capital. In the preceding chapter we pointed out that in agriculture the tendency to centralize farms does not lead to the complete elimination small-scale production. When this tendency goes too far it gives rise to an opposite tendency, so that the tendency to centralize and the tendency to parcelise alternate with each other. Now we see that both tendencies can operate side by side. There is an increase in the number of farms whose owners come into the commodity market as proletarians, as sellers of labour-power. ... All the material interests of these small farmers as sellers of the commodity labour-power are identical with the interests of the

21 Karger, quoted by Kautsky, S. 45.
industrial proletariat, and their land ownership does not give rise to antagonism between them and the proletariat. His land more or less emancipates the peasant small holder from the dealer in food products; but it does not emancipate him from the exploitation of the capitalist entrepreneur, whether industrial or agricultural" (S. 174).

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