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## GENERAL NATURE OF LANDED PROPERTY IN CAPITALISM

MOTOYUKI KOIKE

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### I. "MODERN" FORM OF LANDED PROPERTY

(1) Ground-rent as a category as opposed to wages and profit is a manifestation of the subordination of landed property to capital, regardless of whether it is held by big monopolistic owners, or large- or small-scale farmers. In other words, landed property, which realizes itself economically in such ground-rent, is "a specifically historical form" <eine spezifisch historische Form><sup>1</sup> a form transformed through the influence of capital and of the capitalist mode of production, either of feudal landownership, or of small-peasant agriculture as a means of livelihood, more simply, it is a form of landed property corresponding to the capitalist mode of production in agriculture.<sup>2</sup>

It goes without saying that in capitalism, capital plays the leading role. In this respect, all elements which enter into capitalism transform themselves into a form adapted to capitalism, according to the law of the moves of capital. Thus, land becomes a commodity and can be priced. The *legal view* of free private ownership of land itself signifies nothing but that "the landowner can do with the land what every owner of commodities can do with his commodities."<sup>3</sup> Through the establishment of the concept that ground-rent is the interest on land price, the formation of land price, though in reverse relationship, instills the concept that money invested in land price is the same as "capital." In this sense, the meaning of landed property being made "adaptable" to capitalism is that landed property has been placed under conditions by which it will in form operate in a manner similar to capital and that landed property emerges

<sup>1</sup> K. Marx; *Das Kapital*, Bd. III-2. Besorgt vom M-E-L Institut, S. 662. English edition <Foreign Languages Publishing House>, Vol. III, p. 600.

<sup>2</sup> *ibid.*, SS. 662-663. Eng. ed. pp. 600-601.

<sup>3</sup> *ibid.*, S. 665. Eng. ed. p. 602.

as something which takes this form. Thus, investing in *ownership* of land comes to be regarded in the same way as "capital." The development of credit with land as security will further foster this way of thinking. The "capital" which was invested by the owner of land for the purchase of land is capital investment which produces interest for the landowner, but *it has no relationship whatsoever* with the capital invested in agriculture itself. This "capital" does not form a part of capital which functions in agriculture, and therefore, although it secures for the landowner a claim to receiving ground-rent annually, "it has nothing to do with the production of the rent itself."<sup>1</sup> It does not concern itself at all by what mode of production that ground-rent was produced, whether it was produced by a capitalist mode of production, a small scale production, or a semi-feudalistic land ownership system. It is exactly the same as, for example, that the price of wheat in one same market is not differentiated, whether the wheat was produced under a capitalistic or a non-capitalistic conditions.

All landed property under capitalism is "adapted" to capitalism at least in this respect. Furthermore, this type of landed property will provide the conditions for the accumulation of capital in that the converting of land into a commodity is pushed forward on the basis of separating landed property from the peasantry, that the acquisition of ground-rent has the ability of transforming surplus value, which the owner of the land secures in the form of ground-rent, into capital once again, and that under the state of separation of landed property from the peasantry, the extremely small-scale farming which at times is inevitable will provide the source for the supply of low-wage labour. However, the fact that landed property takes on the form of "adaptability" toward capitalism does not deny the inherent conflict between capital and landed property. This is because the roots of this conflict lie in the point that ground-rent is formed as the divided portion of surplus value.

Even though landed property "adapts" itself to capitalism, it is clear that it is not possible to equate this with landed property which economically realizes itself in the form of ground-rent as a category as mentioned earlier. The "modern" form of landed property is nothing but property in land subordinated to capital due to the formation of the capitalist mode of production in agriculture. In this form of landed property, ground-rent becomes the transformed embodiment of surplus profit, over and beyond the average profit of capital.

(2) Under the modern form of landed property, ground-rent is

<sup>1</sup> *ibid.*, S. 560. Eng. ed. p. 788.

limited to differential rent and absolute ground-rent. This is because the acquisition of ground-rent by landed property can be pursued only under the condition of securing average profit for capital invested in the land. (When there are conditions for the formation of monopoly prices for agricultural products from a specific land, ground-rent takes the form of monopoly ground-rent.) In other words, ground-rent here is limited to differential rent and absolute ground-rent because landed property is subordinated to capital. Conversely, from the side of landed property, there is no reason for actual ground-rent to be limited to the above two.

The reason differential rent is regarded as a category of commodity production and is taken up at the "stage" of a simple commodity production<sup>1</sup> is because it is taken up as the differential between social value and individual value on the basis of the pure and abstract manifestation of determination of value in simple commodity. Moreover, Benary develops this point further and, taking the position that monopoly of land management is in every case the cause of differential rent, and holding that the contents and the form of phenomenon of differential rent is distinguishable, according to the differences between the simple and the capitalist commodity production, and between these and the socialist commodity production, states as follows, citing Marx' analysis concerning proprietorship of land parcels <Parzelleneigentum>: "No matter how the average market-price of agricultural products may here be regulated, differential rent, an excess portion of commodity-prices from superior or more favourably located land, must evidently exist here much as under the capitalist mode of production."<sup>2</sup> This is properly applicable not only to the peasants who manage agriculture as simple commodity producers under the various normal conditions of capitalism, but also to the various conditions where agriculture is liberated to varying degrees from the feudalistic form but the typical form of capitalist mode of agricultural production has not been reached. Here the contents of the ground rent are prescribed by its relationship to simple commodity production and the ground-rent manifests this relationship. Here, value is not transformed into the price of production and therefore the ground-rent appears as the differential between the values of various products."<sup>3</sup>

However, even though differential rent is understood here as the

<sup>1</sup> A. Benary; Aktuelle Probleme der Agrartheorie des Marxismus-Leninismus, 1955, S. 29. S. 30. W. Schmidt; Die Grundrente und ihre Wirkungsweise in der Landwirtschaft der Deutschen Demokratischen Republik, 1956, S. 20.

<sup>2</sup> Das Kapital, *ibid.*, S. 856. Eng. ed. p. 785.

<sup>3</sup> Benary; *ibid.*, S. 29.

differential between the values of products on the basis of the law of value in simple commodities, this is definitely a problem at the stage of logical abstract.

In the case of a peasant owning a parcel (Parzellenbauer) as a small commodity producer he will continue to cultivate his land so long as the price of the product covers the wage of the peasant himself. From this fact, "the existence of differential rent" will appear as an additional income from labour to the peasants who realize their labor under more advantageous natural conditions. In this case, however, the ground-rent manifested in the price of land, or the interest to be paid on the price of land, or the rent to be paid if small peasants' economy is carried on leased land, is not limited to "differential rent which exists." It includes the "surplus profit" which appears in the form of additional wage income<sup>1</sup>, and therefore comprises, more than under any other conditions, an extremely large portion of the profit and even a deduction from the wages. This ground-rent is then only a "nominal rent", not a rent representing an independent category as compared with wages and profit. This ground-rent is transformed into ground-rent as a category by the growth of embryonic profit to profit as a category, through the inter-related effects of various factors, such as the possibility of the expansion of the management scale through the rise in the prices of agricultural products (expansion of the area of management over and beyond the scale of family labour), and the possibility of lowering cost-price through the improvement of technique (premised on, or leading to, expansion of the management scale). In other words, ground-rent becomes a category through subordination of agriculture to capital, and therefore, as a result, the subordination of landed property to capital.

(3) Despite this, landed property is an outside element for capital. "Here (agricultural production) there should exist land in which capital is to be invested," and "in capitalism, private ownership of land is a monopolistic owning of the primary producing condition given by Nature or the main producing medium of agricultural production."<sup>2</sup> The

<sup>1</sup> For self-employed small producer, labour expenditure is an indispensable prerequisite to acquiring labour income. "But, as regards his surplus-labor, after deducting the necessary labour, it is evidently realized in the surplus-product; and as soon as he can sell the latter, or use it for himself, he looks upon it as something that cost him nothing, because it cost him no materialized labour. It is only the expenditure of materialized labor which appears to him as an alienation of wealth. Of course, he tries to sell as high as possible; but even a sale below value and below the capitalist price of production still appears to him as a profit." (Das Kapital, *ibid.*, SS. 741-742. Eng. ed. p. 674).

<sup>2</sup> Schmidt; *ibid.*, S. 27.

relationship between capital and wage-labour is understandable even without considering landed property. Of course, the possibility of acquiring ground-rent in whatever form would create the fact of landed "property." However, the formation of land price, and consequently the fact that land is bought and sold like any other commodity (the payment of an "equivalent" for land ownership) serves some apologists as a justification for landed property<sup>1</sup>. Furthermore, the modern form of landed property in particular only receives a share of the surplus value for that portion which exceeds the average profit (category of the capitalist production) of capital. Even so, the form of landed property which suits the capitalist mode of production is nothing but the modern form of landed property, transformed by the capitalist mode of production itself. Thus, the capitalist mode of production has at its very inception the landed property as its premise and its external condition. Therefore, it already appears at the very beginning as carrying ground-rent. This is why "ground-rent"—in its meaning as used by Ricardo—is landed property under a bourgeois form, that is, feudal landed property subordinated to the conditions of the bourgeois type of production"<sup>2</sup>.

Thus, the capitalist ground-rent is ground-rent which appears as the changed form of the real ground-rent. Here, however, the acquisition of ground rent is no longer regulated by the "will" of the landowner. "Its amount is by no means determined by the actions of its recipient, but is by determined rather by the independent development of social labour, in which the recipient takes no part"<sup>3</sup>. The principle of ground rent remains even after surplus values of various differing capitals are equalized into average profit and it explains in principle the surplus value portion which the owner of land acquires in the form of ground rent.<sup>4</sup>

## II. CONFLICT BETWEEN CAPITAL AND LANDED PROPERTY IN CAPITALISM

The conflict between capital and landed property lies in the point of the division and seizing of surplus value by landed property, which is an external existence for capital. The existence of ground rent depends on a fixed social relationship. If this is true, the "theoretical analysis" of the characteristics of the capitalist mode of agriculture, and the resulting burden which capitalism itself must bear can be made only

<sup>1</sup> Das Kapital, *ibid.*, S. 673. Eng. ed. p. 610.

<sup>2</sup> Karl Marx, *Das Elend der Philosophie*, 'Marx-Engels Werke, Bd. 4, 1959' S. 167.

<sup>3</sup> Das Kapital, *ibid.* S. 686, Eng. ed. p. 621.

<sup>4</sup> Even if it is possible to establish land free of ground rent or investment of capital under the explanation of differential rent, this is merely abstract logic.

through the pursuit of the general nature of landed property under capitalism. In other words, the extra surplus-value, that is, surplus profit, in agriculture and its transformation into ground rent, which is formed and "fixed" through the participation of land, the nature of which is monopolistic (monopoly of land management and monopoly of landed property), as the major means of production must be understood not only from aspect of the moves of capital but also from the aspect of landed property. One must seek the answer through the mechanism which "fixes" it as ground rent and the entailing distortion in the moves of capital.

#### 1. FORMATION OF SURPLUS PROFIT IN AGRICULTURE

(1) If we are to consider the formation of surplus profit in agriculture in a simple manner, we can list as the main factors the changes in the regulating market price of production and the transforming of additional invested in newly established or already existing agricultural management into productivity.

Viewed from the standpoint that investing of additional capital in general is aimed at securing extra surplus-value the factors leading to such an investment are the rise in the market price and technical improvement which makes it possible to lower the cost-price. "Extension on inferior soil is naturally never made voluntarily, but can only result from rising prices, assuming a capitalist mode of production and can only result from necessity under any other mode of production."<sup>1</sup> And if, as a result of a rise in the prices of grains, the rate of profit were to fall, then the land, the cultivation of which has become possible for the first time under the lowered rate of profit (of course, the effects of various conditions to prevent the lowering of the rate of profit must not be ignored) or under high cost prices, and investment of capital can be inducted into agricultural production (formation of, or increase in, the surplus profit of land already under cultivation). If the production cost of the products produced through new investments in land already under cultivation or in land which was newly inducted into agricultural production with the rise in the prices of grains occasioned by increased demand, should be the same as the production price which had formed the basis for the regulation of the market prices, or should be below that price, the prices of grains, which had risen, would eventually fall again, and the surplus profit, which had been formed as a result of the rise in the prices of grains, would

<sup>1</sup> Das Kapital, *ibid.*, S. 720, Eng. ed. p. 653.

disappear. Further, in the case of inferior soil, which has become no longer able to secure even the average profit under the lowered prices, capital may be withdrawn and, in some cases, thrown out of the sphere of cultivation altogether. At any rate, through these moves, surplus profit in this case is formed through the "monopoly" exercised by the capitalistic mode of land cultivation in prescribing the production cost of the products of the most inferior soil as regulating the market. Furthermore, such monopolizing of land management stems from the fact that the quantity and quality of added land, which will be bought under the capitalist mode of management so long as capital investment in agriculture brings about an average profit, is limited.

(2) Investment of additional capital which can bring about the lowering of cost-price will bring about surplus profit for the moment. From these capital investments, we will here exclude such investments as *la terre-capital*, that is, investments for land improvement, which is more or less permanently fixed in the land or incorporated into the soil. "Such improvements, although products of capital, have the same effect as the natural differences of quality of the land."<sup>1</sup> "The land yields rent after capital is invested not because capital is invested, but because the invested capital makes this land more productive than it formerly was."<sup>2</sup>

Generally speaking, if additional capital investments are made with accompanying improvement in productivity, it would generally consist of some kind of technical improvement. This will appear in two aspects—as increase in the amount of products obtained from the same land (through improvement in methods of fertilizing, improvement of species, changes in management methods, etc.) and the securing of the same amount of products with less labor (improvement of production tools, etc.). The essential nature of improvement running consistently through both these aspects is the decreasing of the amount of labor needed for the production of a commodity. This is because the decreasing of the amount of unskilled labor is the very source for the lowering of the cost-price contained in the specific commodity and for the yielding of surplus profits. Moreover, since this is effected usually with an accompanying increase in the amount of yield from the same land (or under the same management), it can be said that technical improvement in general becomes possible only when additional capital is invested. If we are to consider here successive investments of capital in the same total area, the effects of the respective portions

<sup>1</sup> *Das Kapital*, *ibid.*, S. 758, Eng. ed. p. 691.

<sup>2</sup> *ibid.*, S. 795, Eng. ed. p. 729.



under the given technical system will be "undistinguishably amalgamated." With the investment of additional capital, the difference between cultivation which is possible and that which is not becomes the "difference between a sufficient and an insufficient total investment of capital per acre."<sup>1</sup>

At any rate, if technical improvement were to appear purely as the effect of investment of capital, for example, as an effect purely of the mechanization of the labor process, then as a result, tenant farmers will be able to secure surplus profits. Nonetheless, when technical improvement becomes general, the regulating market price of production will fall, and the surplus profits will disappear. However, mechanization of the labor process, in parallel with the resulting lowering of the cost-price, will have some effects on the amount of crop yield, but these will not necessarily be the same due to the varying types of soil.

In other words, additional investment aimed at the same contents of technical improvement will be conditioned by the differences in the natural fertility of the land in which the additional capital is invested, and the capital thus invested will not produce simple returns. Herein lies the basis for the transforming of surplus profit (all or part of the surplus profit) into ground rent. Generally speaking, surplus profit in the same field of production will disappear through the competition among capitals for the lowering of the cost-price of the commodity in question (equalization of technical standard and organic composition of capital) and has the tendency to become equalized within the profit rate peculiar to that field of production, and in relation to other fields of production, to become equalized within the average rate of profit premised on the inequality of the organic composition of capital—but if we are to consider the case where the effects of monopolized natural power are to act as a condition for creating a differential in the productivity of additional capitals to be invested for the formation of surplus profits, it does not necessarily follow that such equalization can be attained through the moves of capital alone. Furthermore, the transforming of surplus profit into ground rent by landed property does not take place utterly unrelated to the capital's moves to equalize surplus profit (lowering of cost-price, and therefore, price of production).

(3) It cannot be said, however, that investment of additional capital is always necessarily accompanied with greater productivity. Under a given market value, even if the productivity of additional investment in superior soils should drop, it will yield surplus profit, or at least

<sup>1</sup> *Das Kapital*, *ibid.*, S. 756, Eng. ed. p. 823.

an average profit, so long as it remains higher or at the same level as the productivity of capital functioning in the worst and under cultivation. When this additional investment increases the amount of grains supplied to the market, and as a result, the worst land under cultivation is thrown out of the sphere of cultivation bringing about a fall in the market price, then the surplus profit will be reduced as a matter of course. In case the market price rises due to an increase in demand, then additional capital will be invested at a low productivity even in the most inferior soil, and under risen the market price it becomes possible to invest capital which can at least yield average profit. And, so long as the product from this additional investment can cover the demand, the market will seek to regulate the market price through the individual average price of production in the worst land under cultivation. Further, under the new market value, additional investment in superior soil, although it can no longer secure an average profit for the additional capital itself, will continue to be made, so long as it is possible to secure an average profit viewed from the total capital invested in that given land as a whole. This is because the securing of an average amount of profit under a given rate of profit is considered to be the minimum limit for the investment of capital.

## 2. "FIXATION" OF GROUND RENT BY LANDED PROPERTY

(1) The basic reason for the transformation of extra surplus value brought about by the participation monopolized natural power as a condition of production without becoming the income of the tenant farmers or contributing to the lowering of the market value, into ground rent lies solely in the existence of landed property itself conflicting with capital. Although the formation of such extra surplus-value is based on the monopolistic utilization of various different soils, utilization of land under the system of private ownership can become a condition of production only within the fixed limit prescribed by landed property. "He (landowner) cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market."<sup>1</sup> The factor which transforms extra surplus-value into ground rent is the competition among landed properties themselves and among the capital to be invested in land (there being always owners of capital who try to invest in agriculture so long as an average profit can be obtained), and the "fixing" of the surplus profit as ground rent is a contract reckoned between the landowner and the tenant farmer.

<sup>1</sup> Das Kapital, *ibid.*, S. 806, Eng. ed. p. 739.

Thus, it becomes possible to consider that the ground rent, or at least a part of it, which the landowner receives as the condition for his investing capital in the land he owns, consists of such surplus profit.

(2) However, a point which should be noted here is that formation of surplus profit which is to be transformed into ground rent is based on the distortion of the law of market value, and such "fixing" of surplus profit as ground rent blocks the possibility of lowering the regulating market price of production and serves to distort the law of market value.

When we say that differential rent is the transformation of surplus profit in agriculture, we do not mean, as is generally thought, that surplus profit obtained in agriculture is immediately transformed into ground rent. As has been pointed out earlier, if some surplus profit can be obtained through additional investment of capital under a given price stationary, rising or falling), it can be a part of the value which may eventually be transformed into ground rent under the competition among investors, but at the same time, it can also contain within it the function of lowering prices.\* If this is so, then in this case, some managements will be forced, under the ground rent contracted, to reduce their income to below the average profit, and in order to recover the average profit, either the reduction in the ground rent is demanded or capital is withdrawn from the land (the elimination of the worst land). Thus, under the formation of a new price level, a change will be brought about in the amount of surplus profit. What can be said here is that with land, participating as a condition of production through the medium of landed property, the moves of capital are perpetuated through the conflict and competition with the law of landed property.\*\* Also, the transformation of surplus

\* Here I think, the following note would be in order: "These improvements, rather than constantly raising the ground rent, are on the contrary all temporary obstacles which prevent the rising of ground rent." "The landlords of 17th century England knew this truth quite well. That is why, out of fear of a decrease in their income, they opposed the progress of agriculture." (Marx; *Das Elend der Philosophie*, *ibid.* S. 175)

\*\* It is clear that surplus profit formed through additional capital investment does not disappear entirely though technical improvement comes generally through additional capital investments in various other lands of differing soils. It is also clear that it is not only the remaining surplus-value portion which is transformed into ground rent. It is possible that in the process of the spread and generalization of additional capital investment, the surplus profit which has been thereby formed is transformed in some cases into ground rent, and that in some other cases the spread and generalization of additional capital investment will compel the reduction in ground rent. If the moves of capital under the "law of landed property" were to be understood merely as a pure and simple one-sided effect, it would lead to the rejection of the second form of differential rent and differential rent would be limited to the first form alone. In reality, extra surplus-value is formed, with the differences in the degree of fertility of the soil as its basis and through the way of operation of capital, with these two factors inseparably intertwined.

profit into ground rent is realized only under such conflict and competition. Therefore, if we are to assume that the regulating market price of production is fixed, the limit of additional investment of capital in the case of superior land, where the condition of differential rent has been established ("fixing" of surplus profit in the form of ground rent), will be that the additional capital itself, including that functioning as a single unit on this particular land, is able to secure average profit. Thus, it can be said: "We find ... that successive investment of capital in the same land, or, what amounts to the same thing, the increase in capital invested in the same land, reaches its limit far more rapidly when the rate of productiveness of the capital decreases and the regulating price remains the same; in fact a more or less artificial barrier is reached as a consequence of the mere formal transformation of surplus-profit into ground-rent, which is the result of landed property"<sup>1</sup>. In this case, additional capital investment which can guarantee only below average profit becomes possible only "because the elements of surplus-value, which form surplus profit or rent, now enter into the formation of the average profit. The farmer makes this average profit ... at the expense of the rent"<sup>2</sup>

Capital inherently works through its moves to equalize the rate of profit all the time. Therefore, if we assume that the additional investment of capital itself would come to demand singly its own average profit, then, from this logic, it would seem that the "fixing" of the ground rent through landed property (or, in other words, the blocking of equalization into individual average price of production through the "fixing" of the ground rent) must naturally exist as the premise.

(3) The circumstances of the lowering of the regulating market price of production through the transformation of surplus profit into ground rent are most acutely indicated in the appearance of differential rent in the worst land under cultivation. Here, ground rent is produced as a result of the market price being formed on the basis (it is not necessarily always in accord) of the individual marginal price of production.\*\* Therefore, when this is viewed in the case of marginal

\* It is clear that both Engel's table in Capital<sup>3</sup> and Marx's table<sup>4</sup> find the limit of investment in the securing of average profit by the invested capital *as a total*. The problem does not lie in whether it is an individual marginal price of production or an individual average price of production, but rather in the fact that the second form of

<sup>1</sup> Das Kapital, *ibid.*, S. 786. Eng. ed. p. 855.

<sup>2</sup> *ibid.* S. 781, p. 850.

<sup>3</sup> *ibid.* S. 780, p. 849.

<sup>4</sup> *ibid.* S. 785, p. 854.

land, the price of grain there would be fixed at a point which is higher than the individual average price of production by an amount equal to the ground rent. This ground rent is definitely a differential rent in the sense that it is based on the difference among the individual prices of production. However, it can also be said to have an aspect of absolute ground rent in the respect that it is the portion of value which is over and beyond the individual average price of production in the worst land under cultivation.

In case (1), for additional investment of capital, the productivity of which will be lower than that of the capital already functioning in the worst land under cultivation, to be made in soil B, the rise in market price (to the degree which will at least be sufficient to guarantee that investment an average profit) must exist as a premise. This is because, otherwise, the average profit can be secured only by the falling of the ground rent. The individual price of production (3.5 pounds according to the table referred to earlier) based on the additional investment of capital in soil B comes to regulate the market value for the time being. This rise in the market value produces a surplus (1 3/4 pounds sterling) over and beyond the average profit for soil B even after its paying ground rent. This surplus can be transformed into ground rent. (calculation made by Marx). However, such surplus profit can also work to lower the price and will help equalization into the individual average price of production (3 1/3 pounds sterling) of soil B. (calculation by Engels). At any rate, with the raising of the regulation market price of production (3 pounds sterling in the worst land under cultivation, that is, soil A) the poorest land under cultivation comes to produce rent. If, in this case, the ground rent on soil B (4 1/2 pounds sterling) remains simply as surplus profit, then the decrease in the productivity of the additional capital invested in Soil B will be covered by this surplus profit, and the regulating market price of production can remain unchanged at 3 pounds sterling. In other words, the

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differential rent contains a portion which is "fixed" as ground rent, over and beyond the surplus profit which will be fixed whether there exists landed property or not. If the theory is consistently upheld that differential rent is governed by the law of capital and definitely not by the "law of landed property," then at least a part of the surplus profit therein formed will contribute to the lowering average price of production.

\*\* If we are to study this point in the three cases, which are generally listed to explain the structure which gives rise to differential rent in the worst land under cultivation, that is, the case where differential rent of the second degree comes into action by successive investments of capital and the limits of the rising price of production may be regulated by better soil the case where it may rise so long as the price remains unchanged if the additional investment of capital creates a surplus product and the case where the productive power of the additional capitals is decreasing it is as follows:

differential rent of the worst land is produced through the market value's remaining higher than the individual average price of production in marginal land under the condition of the "fixing" of surplus profit in the form of ground rent.

In case (2), the increasing productivity of additional capital invested in the worst land under cultivation will bring about the fall of the individual average price of production in that land. Therefore, if ground rent is to be formed here, then it must be that the price of production hitherto is still working as the regulating market price of production, and not its individual average price of production, and therefore, it must be premised that management, which merely secures average profit by the price of production, still widely exists in order to satisfy the demand of the market. Only under these conditions will surplus profit be formed in the poorest land which receives additional capital investments, and all, or a part, of the surplus profit it transformed into ground rent. With this condition for the forming of ground rent (preventing the lowering of the regulating market price of production through additional investments of capital), additional investments of capital in the worst land under cultivation will become generalized, and the least fertile land will come to produce ground rent in general. Such being the case, the differential rent in the worst land under tillage can also be understood to be the difference in the individual prices of production based on the difference in the productivity of the additional capitals successively invested. However, since the regulating of the market value by the average price of production of this land is being obstructed by the intervention of landed property, it can be said that when viewed from the poorest property itself, the ground rent appears as the surplus portion which exceeds the individual average price of production on that land, and therefore the market value is regulated by a price which is higher than the average price of production by an amount equal to the ground rent.

In case (3), the investment of additional capital of decreasing productivity is possible only on the premise of a rise in the market price. Surplus profit is formed, depending on the extent to which the market price can rise, with the possibility that when the capital invested is increased, it may be equalized into the average price of production without necessarily producing any surplus profit. Therefore, if ground rent is produced in the least productive land we should assume that the rise in the market value has reached the extent at least of bringing average profit individually to the additional capital

invested with decreasing productivity. Of course, there is nothing here which would block equalization into the average price of production, but, so long as this condition is maintained, the possibility of transforming surplus profit into ground rent exists, and the worst land under cultivation, including the worst land in which additional capital has not been invested, will produce rent. When ground rent is formed, the limit for additional capital investment will, for the time being, be that it can secure an average profit individually.

### 3. ABSOLUTE GROUND RENT AS AN INTRINSIC FORM OF LANDED PROPERTY

(1) If the capitalistic mode of agriculture has as its premise for the investment of capital in land the existence of landed property and therefore, the payment of ground rent, the price of grain must be high enough to leave some surplus beyond guaranteeing an average profit for the total amount of capital invested in the land. The reason why, in studying the question of differential rent, the theory *generally* advanced being that the worst soil does not pay rent, is because the additional capital invested in it becomes one with the original investment of capital, is equalized into the individual average price of production, and comes to regulate the market. Therefore, if ground rent is to be demanded of that land, the price of grain must be higher than the individual average price of production of that land.\* The same can be said of land in which capital has not yet been invested. Private property in land is then the barrier which does not permit any new investment of capital upon hitherto uncultivated or unrented land without levying a tax, ... or without demanding a rent<sup>1</sup>. In other words, the condition for investment of capital in the hitherto uncultivated or unrented land is that the price of grain is high enough to enable the paying of ground rent on that land.

However, it is also clear that the ground rent "contained" in the price of grain is not based on the "will" of the owners of landed property under the modern form of land ownership. It has already been clarified that the differential rent produced on the worst soil is prescribed by the price necessary for additional capital (or the investment of capital of the lowest productivity) to secure average profit. The ground rent to be demanded of the new capital invested for the

\* Of course, when we speak of the rise of price here, it need not necessarily be limited to its absolute meaning. It has been made clear already that it must be also understood in its relative sense in relation to cost-price.

<sup>1</sup> Das Kapital, *ibid.*, S. 811, Eng. ed. p. 844.

cultivation of hitherto uncultivated or unrented land is also related to the above. However, as regards land already under cultivation, though the "fixing" of the ground rent establishes a still narrower limit to the investment of additional capital, the obstacle of private property has been eliminated for his (farmer's) capital during the time of his lease.<sup>1</sup> The owner of landed property can no longer set any *absolute* (not relative) limitation in the way of the size of any investment of capital in a certain soil. Private property in land as a barrier is absolute in the payment of ground rent itself, when viewed from the standpoint that investment of capital in land is based on the condition of paying ground rent to the landowner and the "barrier" of private property in land under the capitalistic form of agriculture in general thus manifests itself. At the same time, the absolute barrier of landed property manifests itself in uncultivated and unrented land themselves.

Now, if we give consideration to the point that the conditions for additional investment of capital in old leaseholds and for new investment of capital in uncultivated or unrented land act restrictively on each other,\* then we can assume as conditions that would permit new investments in hitherto uncultivated or unrented land prices, they guarantee at least an average profit for the additional capital for old leaseholds, or even if they do not fully guarantee it, they would bring some surplus which would be over and beyond the average profit for the capital invested in new soil.\*\* Land itself does not have intrinsic value. "Since landed property does not yield anything until it is leased, is economically valueless until then, a small rise in the market-price above the price of production suffices to bring the new land of poorest quality on the market"<sup>1</sup>

Thus, "the rent which this category of soil (uncultivated or unrented land) can yield is limited by the competing additional investments of capital in the old leaseholds"<sup>2</sup> Furthermore, if that price only pays

\* It goes without saying that uncultivated or unrented land is logically regarded as the worst land. This is because the point stressed here is that for such land to be brought under cultivation, there must exist the condition of a rise in market price so that it will exceed the regulating market price of production.

\*\* In the first case among the two cases considered possible in *Das Kapital* that is, where the rise of "the market price must be such that even the last additional investments of capital in the old yield surplus-profit, whether pocketed by the former or by the landlord,"<sup>3</sup> the surplus profit produced there would work in the direction of lowering the market price, except in the case where the surplus profit is transformed into ground rent.

<sup>1</sup> *Das Kapital*, *ibid.*, S. 806, Eng. ed. p. 879.

<sup>2</sup> *ibid.*, SS. 802 ff. Eng. ed. p. 875.

<sup>3</sup> *ibid.*, SS. 802 ff. Eng. ed. pp. 874 ff.



the price of production for the last additional investment in old leaseholds, then the ground rent to be paid for the new land will be the same as the differential rent produced in the worst land under cultivation mentioned earlier. This ground rent will have a differential rent aspect (in the case of the worst land, the differential rent having had an aspect of absolute rent), but the price rise *for* the bringing in of these lands as leaseholds was demanded by landed property itself. And, the surplus part here, which exceeds the price of production, will never fall into the hands of the tenants as surplus profit.

Note. If we are to regard the rate of profit of agriculture as higher than that of other spheres of industry, assuming if the price of production, which is formed under the equalization of rate of profit, is to fix the price in agriculture generally below the value, then this portion of value which is transformed into absolute rent must be regarded as stemming from this excess portion of value which exceeds the price of production. The backwardness of agricultural productivity is generally pointed out (cf, Marx; *Theorien über den Mehrwert*, 2. Teil, [Dietz Verlag, 1959] SS. 84-85 u.a. on the development of this point concerning absolute rent) and it is also a historical fact. However, if we are to consider the transformation of capital then it would be difficult to prove whether agriculture's own rate of profit is higher or lower as compared with that in other industries.

(2) The rise in the price of grain makes it possible for tenant farmers to pay absolute rent. This should be considered in the following way: the tenant farmers create a surplus part above the average profit even under the given price, and they pay this to the owners of landed property. This payment includes, as analyzed in the preceding, a portion which is absolute rent.

The rising of prices, including absolute rent, however, will result in increasing the differential rent part among different soils (although no change may be brought about in the amount of ground rent expressed in terms of the amount of produce). This is only natural due to the rise in the prices which are supposed to offer the standard.

It was possible to take up differential rent within the framework of the rate of profit within one field of industry. (It contains the equalization into general rate of profit, and in reality, it is taken up only in this connection). This was because it was a matter within the framework of the differential between the individual *price* of production and general *price* of production (as the differences between the individual cost-price which are prescribed by the differences in the natural fertility of the various kinds of soil). However, although

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Therefore, the cultivation of new land will be involuntarily neglected. Furthermore, if new land is to become the object of cultivation following an increase in demand, we will have to consider the competitive relations with the investments of additional capital of still lower productivity in old rented land.

absolute rent has as its background the degree of natural fertility of the worst land, this does not work as a prescribing factor in the formation of absolute rent. In the case of absolute rent, the surplus portion which exceeds the average profit of the invested capital is taken up independently. For individual capital, the focus of interest is the amount of profit in relation to the amount of capital. Thus, the moves of capital will be in the direction of equalizing the rate of profit in a field of industry into the general rate of profit and also in the direction of directly juxtaposing the amount of capital against the amount of profit. Differential rent was developed on the basis of the individual rate of profit over the rate of profit which was equalized into a general rate. Against this, absolute rent stands on the foundation of the amount of profit based on this general rate.

Generally speaking, the problem of ground rent for capital is usually taken up as a problem of a specific amount of ground rent for a specific amount of capital, or the question of the rate of ground rent. It is not a problem of the amount of ground rent for a fixed area of land.\* Also, if it is assumed that absolute rent is formed under a specific price of grain, then this would be nothing more than a manifestation of the "monopoly" of landed property. Therefore, it must be stated that capitals which participate in production under such a price of grain all bear absolute rent. It goes without saying that this appears in the form of the same amount of ground rent for the same amount of capital.

### III. CONCLUSION

So long as capital invested in land for agricultural management secures average profit, it can be said that no conflict exists between landed property and capital. By transforming and "fixing" the surplus profit obtained from agriculture in the form of ground rent, the owners of landed property have the effect, more or less, of establishing an artificial barrier for the investment of additional capital. This surplus profit, or at least a portion of it, would work in the direction of lowering the market value through the medium of the lowered cost-price, if the law of the moves of capital is perpetuated without modification. In other words, the "existence" of landed property itself is a restrictive factor for the investment of capital in land and

\* Total ground rent can increase without an increase in the rate of ground rent. Concerning the fallacy of bringing in the acreage of land in connection with the rate of ground rent, see Marx; Theorien, *ibid.* SS. 62 ff. The amount of ground rent per acre, and consequently, the rate of ground rent, is based on the position of the owners of landed property.

for the free expansion of capital through land. Also, the rise in the general price of production for the products of the land acts as a cause for raising the ground rent, while on the other hand the formation of ground rent in itself raises a barrier to the possibility of bringing down the market value of the products of the land or acts as a cause for the rise. Thus, the fact that "the law of landed property" distorts the law of market value is not limited to absolute rent alone. Even if we are to consider only the aspect of absolute rent, it is clear that the elimination of this rent will, as an immediate effect, rectify the general prices of the products of the land and will bring about a change in the way of differential rent (although it may not immediately conform to the law of differential rent).

Thus, landed property subordinated to capital, that is, the modern form of landed property, though limiting the ground rent to the surplus value portion exceeding the average profit for capital, raises the prices of the products of the land or prevents the lowering of their prices (materials for livelihood and raw materials). Also, in view of the fact that a portion of the surplus value produced under capitalism is separated from the capitalist mode of accumulation by taking the form of absolute rent or differential rent without contributing to the equalization into the general rate of profit, the "monopoly" of landed property, in the final analysis, can be said to be contributing to the lowering of the average rate of profit. The increase in ground rent is realized under these conditions.