REN T AND VALUE.

"There is nothing specific in Socialism except its economics. Its ethics are those of all decent men; its politics are democratically Tory: there is absolutely nothing peculiar to it except its economic demonstration that private property produces the phenomenon of privately appropriated economic rent and all the consequences of it."—G. B. S.

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RENT AND VALUE.

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PART I.—RENT.

Socialists, protesting against the present state of society, have lately been often met by two somewhat contradictory assertions. We are told that too much stress has been laid upon figures, statistics, and "dry" things such as political economy; that what is wanted is a "great wave of emotion," "genuine religious feeling," a "change of heart"; that these and these only will rectify the cruelties and injustices of the present state of society. And in the same breath it will often be illogically maintained that "you can't change human nature"; and that as human nature has brought about the present state of things it is no use trying to make any radical alteration.

Now I propose to shew that human nature, whether it can be changed or not, did not bring about the present state of things; but that it was rather the present state of things which brought about human nature; that the existing conditions of society are the result of economic laws which work inexorably, indifferent to the weal or woe of the human race, and unconscious of its existence. I also propose to shew that should the human race become conscious of the existence of such economic forces, and capable of directing them, these laws can be made to subserve man's welfare as powerfully as, left to themselves, they have been working for his destruction. A change of heart, if it be in the right direction, seems incidentally desirable; but by itself and unaccompanied by the requisite knowledge of economic laws it will be as useless as would be a wireless telegraphy station sending messages into space were there not somewhere a receiver to collect those messages.

The Origin of Rent.

Picture then to yourself a vast green plain of country, virgin to the spade, awaiting the advent of man. Imagine the arrival of the first colonist, the original Adam. He drives his spade into, and sets up his stockade around, the most fertile and favorably situated patch he can find. Metaphorically Adam's little patch is a pool that will yet rise and submerge the whole land. Other Adams come all sure to pre-empt patches as near or as far as may be to the first Adam's, partly because he has chosen the best situation, partly for the pleasure of his society and conversation, and partly because where two men are assembled together there is a two man power that is far more than double one man power. And so the pool rises, and the margin spreads more and more remote from the centre, until the pool becomes a lake, and the lake an inland sea.
But in the course of this inundation that specially fertile region upon which Adam pitched is sooner or later all pre-empted and there is nothing for the newcomer to pre-empt save soil of the second quality. Also, division of labor sets in among Adam’s neighbors; and with it, of course, comes the establishment of a market for the exchange of the products of their divided labor. Now it is not well to be far afield from that market because distance from it involves extra cost for roads, beasts of burden, and time consumed in travelling thither and back again. All this will be saved to Adam at the centre of cultivation, and incurred by the newcomer at the margin of cultivation.

The Establishment of Rent.

Let us estimate the annual value of Adam’s produce at £1,000 and the annual produce of the newcomer’s land on the margin of cultivation at £500, assuming that Adam and the newcomer are equally industrious. Here is a clear advantage of £500 a year to Adam. This £500 is economic rent. For why should not Adam let his patch to the newcomer at a rent of £500 a year? Since the produce will be £1,000, the newcomer will have £500 left for himself; that is, as much as he could obtain by cultivating a patch of his own at the margin; and it is pleasanter to be in the centre of society than on the outskirts of it. The newcomer will himself propose the arrangement, and Adam may retire (not in consequence of any special merit of his own, any extra industry or brain power, but simply because he was fortunate enough to get the best place at the right moment) as an idle landlord with a perpetual pension of £500 of rent. The excess of fertility of Adam’s land is thenceforth recognized as rent and paid, as it is to-day, regularly by a worker to a drone.

The Origin of the County Family.

So Adam is retiring from productive industry on £500 a year; and his neighbors are hastening to imitate him as fresh tenants present themselves. The first result is the beginning of a tradition that the oldest families in the country enjoy a superior position to the rest, and that the main advantage of their superior position is that they enjoy incomes without working. Nevertheless, since they still depend upon their tenants’ labor for their subsistence, they continue to pay Labor, with a capital L, a certain need of mouth honor; and the resultant association of prosperity with idleness, and praise with industry, practically destroys morality by setting up that incompatibility between conduct and principle which is the secret of the ingrained cynicism of our own time.

According to our hypothesis, the area of cultivation has now spread into the wilderness so far that at its margin the return for a man’s labor for a year is only £500. But it will not stop there; it will at last encroach upon every acre of cultivable land, rising to the snow line on the mountains and falling to the coast of the actual salt water sea, but always reaching the barrenest places last of all,
because the cultivators will not break bad land when better is to be had. But suppose that now, at last, the uttermost belt of free land is reached, and that upon it the yield to a man's year's labor is only £100. Clearly now the rent of Adam's primeval patch has risen to £900, since that is the excess of its produce over what is by this time all that is to be had rent free.

Dual Ownership.

Adam has yielded up his land for £500 a year to a tenant. It is this tenant accordingly who now lets Adam's patch for £900 a year to the newcomer, who of course loses nothing by the bargain, since it leaves him the £100 a year, with which he must be content any way. It has, in fact, come to this, that the private property in Adam's land is divided between three men, the first doing none of the work and getting half the produce; the second doing none of the work and getting two-fifths of the produce; and the third doing all the work and getting only one-tenth of the produce. Here is private property in full swing, produced (let us emphasize the fact) not in the least by "human nature," but by the natural working of economic laws of which the settlers were unconscious. Probably if the first colonists when they were still on their original patches had been asked "would you tolerate a state of things in which there should be not only loafers, but in which the loafers should be the richest people in the country," they would have repudiated the idea with profound and genuine indignation.*

All this, however, is a mere trifle compared with the sequel. When the total cultivable area has reached its confines; when there is nothing but a strip of sand round the coast between the furrow and the wave; when the very waves themselves are cultivated by fisherfolk; when the pastures and timber forests have touched the snow line; when, in short, the land is all private property, there appears a man in a strange plight: one who wanders from snow line to sea coast in search of land, and finds none that is not the property of someone else. On the roads he is a vagrant: off them he is a trespasser: he is the first proletarian.

Rent of Ability.

Now it may be that this second Adam, the first father of the great proletariat, has one of those scarce brains which are not the least of nature's gifts. If the fertile field yields rent, why not the fertile brain? Here is the first Adam's patch still yielding its

* The reader will observe that to avoid complications no mention has been made of capital as such. The monopoly of land produces the monopoly of capital. All capital begins as spare money, no matter what it may finally be turned into: mines, railways, canals, houses. In the first instance the possession of capital always means that some individual has received more rent than he desires or chooses to spend. Colloquially, one property with a farm on it is said to be land yielding rent; whilst another, with a railway on it, is called capital yielding interest. But economically there is no distinction between them when they once become sources of revenue. Shareholder and landlord live alike on the produce extracted from their property by the labor of the proletariat.
£1,000 to the labor of the tenant who, as we have seen, has to pay £900 away in rent. How if the proletarian were boldly to bid £1,000 a year to that man for that property and contrive—invint—anticipate a new want—turn the land to some hitherto undreamed of use—wrest £1,500 a year from the soil and site that only yielded £1,000 before? If he can do this, he can pay the full £1,000 rent, and have an income of £500 left for himself. This is his profit—the rent of his ability—the excess of its produce over that which it would yield to ordinary stupidity.

Origin of the Proletariat.

But in due replenishment of the earth there follows upon the footsteps of this first proletarian another who is no cleverer than other men, and can do as much, but not more, than they. For him there is no rent of ability. What is to be his fate? It is certain that by this time not only will the new devices of the renter of ability have been copied by people incapable of inventing them, but division of labor, the use of tools and money, and the economies of civilization will have greatly increased man's power of extracting wealth from nature. So that it may well be that the produce of land on the margin of cultivation, which, as we have seen, fixes the produce left to the cultivators throughout the whole area, may rise considerably.

Scarcity Value.

This rise has nothing to do with the margin of cultivation. It is not the difference between the best and worst land. It is not, to put it technically, "economic rent." It is a payment for the privilege of using land at all—for access to that which is now a close monopoly; and its amount is regulated, not by what the purchaser could do for himself on land of his own at the margin, but simply by the landowner's eagerness to be idle on the one hand, and the proletarian's need of subsistence on the other. In current economic terms the price is regulated by supply and demand. As the demand for land intensifies by the advent of fresh proletarians, the price goes up and the bargains are made more stringent. Sooner or later the price of tenant right will rise so high that the actual cultivator will get no more of the produce than suffices him for subsistence. At that point there is an end of sub-letting tenant rights. The land's absorption of the proletarians as tenants paying more than the economic rent stops.

Advent of the Proletarian.

And now what is the next proletarian to do? For all his forerunners we have found a way of escape; for him there seems none, for where is his subsistence to come from, if he cannot get at the land? Food he must have, and clothing; and both promptly. There is food in the market, and clothing also; but not for nothing. Hard money must be paid for them, and money can only be procured by selling commodities. This presents no difficulty to the culti-
vators of the land, who can raise commodities by their labor; but the proletarian, being landless, has neither commodities nor the means of producing them. Sell something he must; yet he has nothing to sell—except himself.

The first "Hand": "Laborer"; "Mechanic"; "Servant"; "Wage-Slave."

The idea seems a desperate one; but it proves quite easy to carry out. The tenant cultivators of the land have not strength enough or time enough to exhaust the productive capacity of their holdings. If they could buy men in the market for less than the sum that these men's labor would add to the produce, then their purchase would be sheer gain. Never in the history of buying and selling was there so splendid a bargain for buyers as this. Accordingly the proletarian no sooner offers himself for sale than he finds a rush of bidders for him, each striving to get the better of the others by offering to give him more and more of the produce of his labor, and to content themselves with less and less of the surplus. But even the highest bidder must have some surplus or he will not buy. The proletarian, in accepting the highest bid, sells himself openly into bondage. He is not the first man who has done so; for it is evident that his forerunners, the purchasers of tenant right, had been enslaved by the proprietors who lived on the rents paid by them. But now all the disguise falls off: the proletarian renounces not only the fruit of his labor, but also the right to think for himself and to direct his industry as he pleases. The economic change is merely formal; the moral change is enormous.

PART II.—VALUE.

It is evident that in our imaginary colony labor power is now in the market on the same footing as any other ware exposed for sale: it can be purchased as men purchase a horse or a steam engine, a bottle of wine or a pair of boots.

Exchange Value of Human Beings.

Since human labor therefore turns out to be a commodity, marketable just as a basket of eggs or a woollen shirt is marketable, if we want to know what is going to happen to our proletarian in a state owned by private individuals, as our colony is owned, we must proceed to find out what fixes the price of commodities in general (since his price will be fixed in the same way); and what causes the series of arrangements between buyers and sellers which have been named "supply and demand," for our proletarian is now supplying himself in answer to a demand.

Contradictions and difficulties soon show themselves. It would seem on the surface that the selling value, or exchange value, of anything must depend upon its utility, for no one will buy a useless thing. Yet fresh air and sunlight, which are so useful as to be quite indispensable, have no money value; whilst for a
meteonic stone, shot free of charge into your
back garden, the curator of a museum will give you a considerable
sum. A little reflection will show that this depends upon the fact
that fresh air is plentiful and meteoric stones scarce.

Scarcity. Value

If by any means the supply of fresh air could be steadily dimin-
ished, and the supply of meteoric stones, by celestial condonade or
otherwise, steadily increased, the fresh air would, presently, acquire
an exchange value which would gradually rise; whilst the exchange
value of meteoric stones would gradually fall, until, at last fresh air
would be supplied through a meter, and charged for like gas, and
meteoric stones would become as unsaleable as ordinary pebbles.
The money (or exchange) value, in fact, decreases as the supply
increases; or, in other words, as the supply pours in, the demand
falls off, until finally, if the supply continues to pour in, the demand
crashes altogether and what is left of the supply is valueless.

How Exchange Value is Fixed

But besides this fact of the exchange value of any commodity
being dependent upon the amount there is of it in any market at
any one time, another equally important fact must be carefully
mastered, viz., that the value of a commodity is fixed not by the
rarest and most useful part of the stock of it, but by the least costly
and least useful. This can be explained quite simply by an illus-
tration. If the stock of umbrellas in the market were all alike and
sufficiently large to provide two for each umbrella carin in the
community, then, since a second umbrella is not so necessary as
the first, the instinctive course would be to ticket half the umbrellas at,
say 15s, and the other half at 8s. 6d. But no man will give 15s. for
an article which he can get for 8s. 6d. ; and when people came to
buy, they would buy up all the 8s. 6d. umbrellas. Each person
being thus supplied with an umbrella, the remainder of the stock,
though marked 15s., would be in the position of second umbrellas,
only worth 8s. 6d. It may very likely occur to the reader that if he
was the seller of umbrellas, he would charge 15s. all round and put
away half his stock until the number of umbrellas actually and
immediately necessary to his fellow towns men was sold. But a
moment's reflection will remind him that there will be other trade-
men in the town who sell umbrellas. In the next street will be a
shop where umbrellas can be purchased for 10s. 6d., and near by
another where they can be had for 7s. 6d. ; so that, granted, all the
umbrellas are of the same quality, the customers will go to the shop
where they are to be had for 7s. 6d., and my reader's 15s. ones will
remain on his hands unsold.* The only limit to this competition
is obviously the actual cost of the manufacture of the umbrella.
One more illustration of a different kind. You want to get and sell

* There is indeed another way. The reader might buy up all the umbrellas in
the town and arrange that none should be brought in from anywhere else. This is to
"corner" the market—but that is another story.
coal. You begin by going to the point where coal is on the surface —where you can shovel it up with ease. But when that supply is exhausted, you must sink a shaft; you must burrow under ground, eviscerate mountains, tunnel beneath the sea, at an enormous cost in machinery and labor. Yet when you have made your greatest effort, another man may still be in possession of a mine near the surface where he gets his coal for half, a quarter, a tithe of the labor you expend upon yours. In spite of this, when you both bring your coal to market and offer your supplies for sale, you cannot say, "I have been at great expense to get mine and I will charge 20s. a ton." Your rival is offering his for 15s. a ton, and you must sell at the same price or you will get no customers. Let us suppose that it has cost you 10s. per ton to get your coal, and that it has cost him 5s. per ton to get his, the whole difference between the 5s. and the 10s. is economic rent gained by him, not by superior industry or ability (for it is you who have had these), but by the fact of his privately owned coal mine being in a more advantageous situation than yours. In this manner the exchange value of the least useful and least costly part of the supply fixes the exchange value of all the rest.

The Law of Indifference.—Final Utility (Marginal Utility).

Technically this is called the Law of Indifference. And since the least useful unit of the supply is generally that which is last produced, its utility is called the final utility of the commodity.

Total Utility.

The utility of the first and most useful unit is called the total utility of the commodity.* The main point to be grasped is, that however useful any commodity may be, its exchange value can be run down to nothing by increasing the supply until there is more of it than is wanted. The excess, being useless and valueless, is to be had for nothing; and nobody will pay anything for a commodity so long as plenty of it is to be had for nothing. This is why air and other indispensable things have no exchange value, whilst scarce gewgaws fetch immense prices.

These, then, are the conditions which confront man as a producer and exchanger. If he produces a useless thing, his labor will be wholly in vain: he will get nothing for it. If he produces a useful thing, the price he will get for it will depend on how much of it there is for sale already. This holds good of the whole mass of manufactured commodities. Those which are scarce, and therefore relatively high in value, tempt men to produce them until the increase of the supply reduces their value to a point at which there is no more profit to be made out of them than out of other commodities. And this process, unless deliberately interfered with, goes on until the price of all commodities is brought down to their cost of production.

* Some economists, transferring from cultivation to utility our old metaphor of the spreading pool, call final utility "marginal" utility.
Cost of Production.

But here is a new question. What does the cost of production mean?

We have seen that, owing to the differences in fertility and advantage of situation between one piece of land and another, cost of production varies from district to district, being highest at the margin of cultivation. But we have also seen how the landlord skims off as (economic) rent all the advantage gained by the cultivators of superior sites and soils. Consequently, the addition of the landlord's rent to the expenses of production brings those expenses up even on the best land to the level of those incurred on the worst. Cost of production, then, means cost of production at the margin of cultivation, and is equalized to all producers, since what they may save in labor in favorable situations is counterbalanced by the greater amount of rent they have to pay in those situations. So far from commodities exchanging, or tending to exchange (as some economists allege that they do), according to the labor expended in their production, commodities produced in the most favorable situations, well inside the margin of cultivation, with the minimum of labor, will fetch as high a price as commodities produced at the margin with the maximum of labor. And all the difference between the two goes to the landlord. So man's control over the value of commodities consists solely in his power of regulating their supply. Individuals are constantly trying to decrease supply for their own advantage. Gigantic conspiracies have been entered into to forestall the world's wheat and cotton harvests, in order to force their value to the highest possible point. Cargoes of East Indian spices have been destroyed by the Dutch as cargoes of fish are now destroyed in the Thames, to maintain prices by limiting supply. All rings, trusts, corners, combinations, monopolies, and trade secrets have the same object.

The Vital Point.

Now we have come to the most important part of this paper: the part which will explain why we Socialists are attacking this private monopoly system—this capitalist system—this laissez faire system—with all our strength and ingenuity. Go back to our proletarian. We found that he had come to our colony when all the land, from the sea to the snow line was occupied and owned; when the utmost rent of ability had been screwed out of it; and when its scarcity value had been exploited to the last penny. It was therefore impossible for him to produce any of the commodities by the sale (or exchange) of which men live. But we found that he had one commodity the sale of which he could effect with ease—the sale of himself. We found that men ("laborers," "hands," "mechanics," "working men," "servants")—how expressive words are!—were in the market, and traffic in them could be carried on precisely on the same terms as traffic in any other commodity.

Now reflect for a moment upon the laws we have been examining which regulate the exchange of commodities. We found that "if
the supply continues to pour in, the demand ceases altogether, and what is left of the supply is valueless." We also found that, by the Law of Indifference, "the exchange value of the least useful part of the supply fixes the exchange value of all the rest." What will be the result of the action of these laws upon the human commodity we have called a proletarian? The commodity he deals in is one over the supply of which he himself has practically no control. True, at first there is only one of him in our colony; but others pour in, population increases by leaps and bounds, soon there are twenty, one hundred, one thousand, five thousand, and men continue so to multiply that their exchange value falls slowly and surely until it disappears altogether. This is the condition of our English laborers to-day: they are no longer even dirt cheap: they are valueless. The proof of this is the existence of the unemployed, who can be had for nothing.

You will immediately say "no labor can be had for nothing": you will very likely add that you "wish it could," and instance the high wages given to "hands" and "servants." The answer is deplorably simple. Suppose horses multiplied in England in such quantities that they were to be had for the asking, like kittens condemned to the bucket. You would still have to feed your horse—feed him well if you used him as a smart hunter—feed him and lodge him wretchedly if you used him only as a drudge. But the cost of his keep would not mean that the horse had an exchange value. If you got him for nothing in the first instance, if no one would give you anything for him when you had done with him, he would be worth nothing, in spite of the cost of his keep. That is just the case of every member of the proletariat who could be replaced by one of the unemployed to-day. Their wage is not the price of themselves, for they are worth nothing; it is only their keep. If you have to give your footman a better allowance than your wretched hewer of wood, it is for the same reason that you have to give your hunter oats and a clean stall instead of chopped straw and a sty.

The Capitalist System Guilty.

This, then, is the economic analysis which convicts private property of being unjust from the beginning, and utterly impossible as a final solution of the problem of the distribution of wealth. All attempts yet made to construct true societies upon it have failed: the nearest things to societies so achieved have been civilizations which have rotted into centres of vice and luxury, and eventually been swept away by uncivilized races. It is sometimes said that during this grotesquely hideous march of civilization from bad to worse, wealth is increasing side by side with misery. Such a thing is eternally impossible; wealth is steadily decreasing with the spread of poverty. But riches are increasing, which is quite another thing. The total of the exchange values produced in this country is mounting, perhaps, by leaps and bounds. But the accumulation of riches, and consequently of excessive purchasing power
in the hands of one class, soon satiates that class with socially useful wealth, and sets it offering a price for luxuries. "Luxuries are not social wealth: the machinery for producing them is not social wealth: labor skilled only to manufacture them is not socially useful labor: the men, women, and children who make a living by producing them are no more self-supporting than the idle rich for whose amusement they are kept at work. It is the habit of counting as wealth the exchange values involved in these transactions that makes us fancy that the poor are starving in the midst of plenty. They are starving in the midst of plenty of jewels, velvets, laces, equipages, and racehorses; but not in the midst of plenty of food. In the things that are wanted for the welfare of the people England is abjectly poor. Yet private property, by its nature, must still heap the purchasing power upon the few rich and withhold it from the many poor.

Conclusion

Now Socialism claims to have discovered in this private appropriation of land the source of those unjust privileges which the Socialists seek to abolish. They assert that public property in land and the means of production is the basic economic condition of Socialism. How the economic change from private to public ownership can be brought about with the least suffering to individuals does not come within the scope of this paper; but if we have got as far as an intellectual conviction that the source of our social misery is no eternal wellspring of confusion and evil, not the depravity of human nature or the hardness of human hearts, but only an artificial system susceptible of almost infinite modification and readjustment—nay, of practical demolition and rearrangement at the will of man, then a terrible weight will be lifted from the minds of all except those who are clinging to the present state of things from base motives. It is to economic science—once the dismal, now the hopeful—that we are indebted for the discovery that though the evil is enormously worse than we knew, yet it is not eternal—not even very long lived, if we only bestir ourselves to make an end of it.
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