OF FOREST AND TREES

Let's review:

1. Marx's contribution to the critique of capital, of capitalism, of industrial capitalism is its historicism, its material *historicity.* The critique begins, ends, and is at all points in between configured by the realization that the substance of human history is the social organization of labor. Capitalism begins, ends, and is at all points configured around the opposition of the material conditions of labor—those instruments of production—to labor itself; the opposition of the labor process to the specific capitalist expression of that process. Labor opposes its organization of wage-labor as it reproduces it. Wage-labor exists as the loss, the devaluation of labor through its exchange as, and for, the commodity.

Each, capital and wage-labor, exists only in the organization of the other. Each can reproduce itself only in the reproduction of both. Yet, capital in order to accumulate must also and always expel labor-power from the production process.

2. In contra-distinction to Marx's critique of the expanding reproduction of this identity in opposition of the labor process and its doppelganger—accumulation—Marx's theory of ground-rent, in its first presentations, is formed in and around the notion of "demand" and demand's body double, *scarcity*.

Ground-rent is what it is not only because capital is what it is; not only because private property is what it is; not only because labor-power is what it is. Ground-rent is what it is because, in the first, last and all points between analysis, *natur*e is what it is, finite and determined.

While Marx argues that ground-rent is the result of capital's encounter with feudal property in land, the feudal organization of property becomes, and sustains itself, as an obstacle in the path of accumulation because land is limited; the output from the "instrument of production"—agricultural commodities from cultivated land—cannot be multiplied "at will" as it can be, according to Marx, in industry.

3. Still, the news from Marx's economic manuscripts that become *Theories of Surplus Value, part 2* isn't *all* bad: in grappling with absolute and differential rent, Marx is wrestling with that "wave/particle," that certain quantum of absolute uncertainty that every capitalist grasps at--excess profit, profit above the average. This becomes a thread within volume 3 of *Capital.*

The determination of value by labor time, the materialization of surplus-value as profit is manifested in this iteration as the distribution, allocation of the total available profit among the capitalists who personify in all its miserable glory and glorious misery of the reproduction of capital.

4. For Marx, the question that starts him down this road is: how can lands of unequal fertility yield agricultural commodities of equal prices when the law of value determines prices and governs the exchange of commodities?

We could answer: "The market does that through *competition*, through the prices of production." Actually, the market does that through adjustment to the prices of production. The market does that through the divergence of price from value, where the equal prices represent a transfer of value among producers. The market in all its divergences, its manipulations, its "spreads," its arbitrage; in all its scams, swindles, manipulations, panics, manias, booms, busts, fear, greed, swings, shortages and overproductions, does just that—transfers value from the least efficient to the most efficient, most *necessary* capitals.

5. But Marx isn't buying any of that; not for agricultural commodities. There he is convinced that because of increasing demand, because of the scarcity of land of sufficient fertility, prices of production and market adjustment to the prices of production do not govern.

And Marx is not buying it for the commodities of the “extractive” capitals [mining], and not even for processing capitals [grain mills] which can utilize “natural” advantages such as access to the power of falling water to drive the mill. Ground-rent here begins where there is ownership of a *valueless* force of nature, where that natural condition has been *captured* and *presented* as private property, *packaged* in the *as if* condition; as if it were a capital. .

Rent becomes a mechanism of “regressive redistribution.” It is tribute, penalty, fine, and/or fee, embodied in price but deducted from the profit of the most productive, efficient producers both within a specific sector and among all sectors. Rent accrues without purchase, without valorisation, without amplifying production, without the accumulation of the means of production as *capital* requiring living labor to sustain its fragile, expropriated heartbeat.

Rent lives, if it can be said to live at all, as the incubus and succubus of history, that weight of all dead generations, of all dying modes of production, on the brains of the living. I know it sure has been weighing on my brain like a nightmare for the last two years.

6. *But* the news isn’t *all* bad. Within ground-rent, money-mediated ground rent, there is the essential ambiguity of capitalism, that ambiguity between private property in the means of production without which capital can never come into being, can never exist as a condition of labor to which labor must present itself as labor-power, as wage-labor; without which capital can never aggrandize increasing portions of *social time*; without which capital can never overwhelm the limits of the artisan and handicraft production *and* the opposition the socialization of labor, of *accumulated social labor* that threatens capital immanently and imminently with the now reduction, now collapse, of profits.

7. The ambiguity of rent is manifested in the ambiguity of capitalist agriculture. Capital pretends there are no limits; capital requires limits. The landlord personifies a social limit but only because the landlord *capitalizes*—presents as value engendering value—on the “natural” limits of agricultural production. The landlord capitalizes the limits to fertility; the limits to enhanced fertility; the limits to the very existence of land.

These limits can be pushed, extended, even battered by capital but never completely overcome. The ambiguity exists in that the very actions required for modifying the limits are the differential applications, degrees, and expenditures of capital, thus re-establishing the limits to agriculture [and extraction] and re-posing the original question: how is it that lands of different, unequal fertilities yield agricultural commodities of the same price? How is it that lodes, veins, ores, reservoirs of different “richness,” intensity, ease of access yield commodities of the same price? Or to put it in more familiar terms, what sets the market, other than fear and greed that is? More correctly, what makes fear and greed the manifestation and mediation of *value*?

Let’s Continue

1.1 This question, “how do lands, areas, territories of different fertility, productivity yield commodities of a single [or average] price,” parallels the general question that Marx engages throughout volume 3 of *Capital*: “how do the particular, singular, private, individual expropriations of surplus-value, become, more or less, a general [or average] profit, the average rate of profit?”

How do the individual values, generated, extracted through capitals of different compositions, where greater labor time means greater value, become transformed into an *average*, a *social* average where the accrual of value conforms to the socially necessary time of reproduction of… not just any particular commodity, *but to the totality of capitalist production relations?*

And the answer is…. in the *deviation*s of prices from values.

In this regard, Marx's analysis of ground-rent undergoes a transformation, or more correctly, undergoes development and enhancement, that in the very midst of its own historical inaccuracy [as I described it in Part 1], provides *us* with a mechanism, which by means of *its immanent critique* gives us more than a clue to that process, that totality of reproduction.
We move with Marx from ground-rent, to *rent;* from ground-rent being the mechanism by which agricultural commodities are sold at their *values* above their prices-of-production, to *rent* as the description for any and all accumulations of "excess profit."
1.2 In his opening remarks on rent in volume 3, Marx warns against "three major errors that obscure the analysis of ground-rent."

> *[1] The confusion between the various forms of rent that correspond to different levels of development of the social production process…*
> *[2]All ground-rent is surplus-value, the product of surplus labour. In its more undeveloped form, rent in kind, it is still a direct surplus product. Hence the error that the rent corresponding to the capitalist mode of production, which is always an excess over and above profit, i.e. over and above a portion of commodity value that itself consists of surplus-value (surplus labour)—that this particular and specific component of surplus-value can be explained simply by explaining the general conditions of existence for surplus-value and profit.* [Penguin, p.772-773]

OK, so far? So far, OK, but then Marx follows up with this:

> *[3] A particular peculiarity that arises with the economic valorization of landed property, that is the development of ground-rent, is that its amount is in no way determined by the action of its recipient, but rather by a development of social labor that is independent of him… This is why something that is common to all branches of production and their products on the basis of commodity production, and to capitalist production in its entirety, is easily conceived as a peculiar property of rent (and of the production of agriculture in general).*
> *The level of ground-rent (and with it the value of land) rises in the course of social development, as a result of overall social labour. Not only do the market and the demand for agricultural products grow, but the demand for land itself also grows directly**, since it is a condition of production*** [emphasis added] *competed for by all possible branches of business, including non-agricultural ones…*
> *In actual fact, what we have here is not a phenomenon peculiar to agriculture and its products. The same applies rather to all other branches of production and products, on the basis of commodity production and its absolute form, capitalist production.* [p. 775-776]

Major error #3 seems to run head-on into major error #2.
Marx has in mind here the relationship of agricultural products to other commodities as *values.* The mere fact that agricultural commodities are produced as, and for, accumulated, and the accumulation of, values; that agricultural production requires production not for subsistence of direct producers but for exchange with other "mediated" products is the ***condition of production for all possible branches of production.***
Well then, if *that*—private ownership of a source, means, etc—is the condition of production common to all, then the idiosyncratic nature of ground-rent can't be quite that idiosyncratic at all. If that is the common condition of production for capitalism which is, as Marx describes it in his economic manuscripts, a self-mediating relation of production, reproducing itself at and in every moment of its circuit of realization, then ground-rent is part of the reproduction and the

distribution of the total social surplus and not some vestigial appendage, clinging to the *sacrum corpus* of capital [see above remark about *immanent critique*].

1.3 Before proceeding, or better yet, in order to proceed in the analysis of rent, we need to consider Marx's explanation of the formation of the *general, average,* rate of profit. And here again we meet up with a more than just a bit of ambiguity. Marx initially builds a case for *particular* rates of profit, specific to the individual sectors, if not units, of production. He states:

> *(2)We have shown that, even assuming the same degree of the exploitation of labour, and ignoring all modifications introduced by the credit system, all mutual swindling and cheating among the capitalists themselves and all favourable selections of the market, rates of profit can be very different according to whether raw materials are purchased cheaply or less cheaply, with more or less specialist knowledge; according to whether the overall arrangement of the production process in its various stages is more or less satisfactory, with wastage of material avoided, management and supervision simple and effective, etc. In short, given the surplus-value that accrues to a certain variable capital, it still depends very much on the business acumen of the individual…* [Penguin, p. 235].

That's part of the case, but not a particularly strong part. Or it's a strong part expressed weakly. The strong part is that rates of profit differ based on the internal ratio of the components of production, living and accumulated, in each sector…provided all surplus labor time is absorbed efficiently into the production process and converted into the maximum surplus value*, and that surplus value is realized fully by the exchange of commodities at their values.*

Just a few pages later, Marx moves from the particular to the general rate of profit:

> *We have shown, therefore, that in different branches of industry unequal profit rates prevail, corresponding to the different organic compositions of capitals, and, within the indicated limits, corresponding also to their different turnover times; so that at a given rate of surplus-value it is only capitals of the same organic composition—assuming equal turnover times—that the law holds good, as a general tendency that profits stand in direct proportion to the amount of capital, and that capitals of equal size yield equal profits in the same period of time. The above argument is true on the same basis as our whole investigation so far: that commodities are sold at their values. There is no doubt, however, that in actual fact…no such variation in the average rate of profit exists between different branches of industry, and it could not exist without abolishing the entire system of capitalist production. The theory of value thus appears incompatible with the actual phenomena of production, and it might seem that we must abandon all hope of understanding these phenomena.* [Penguin, p.252]

Marx does not demonstrate this using the actual data from actual industries and sectors of capitalist production. Again, as is the case with rent, this is not a conclusion drawn from history; it is a conclusion based on the necessity of the logical exclusion of the conflicting possibilities. And again again, what is the core to that logic?

> *It has emerged from Part One of this volume that cost prices are the same for the products of different spheres of production if equal portions of capital are advanced in their production,* ***no matter how different the organic composition of these capitals might be*** [emphasis added] **.** *In the cost price, the distinction between variable and constant capital is abolished, as far as the capitalist is concerned.* [Penguin, p. 253]

This is an iteration of the principle of commodity exchange that suffuses all of volume 3 of *Capital*, and *Theories of Surplus Value,* including the analysis of rent, the critique of Rodbertus

and Ricardo, where Marx introduces the concepts of cost-price [although his definition of "cost-price" in *TSV* is very different from that in volume 3], average prices, and average profit.
A few pages on in volume 3, Marx gives us another iteration of this principle:

> *…to transform profits into mere portions of surplus-value that are distributed not in proportion to the surplus value that is created in each particular sphere of production, but rather in proportion to the amount of capital applied in each of the spheres, so that equal amounts of capital, no matter how they are composed, receive equal shares [aliquot parts] of the totality of surplus-value produced by the total social capital.* [Penguin, p. 274]

Capitals of equal size must yield equal profits regardless of the relation between the living and dead components of the capital.

> *The whole difficulty arises from the fact that commodities are not exchanged simply as commodities, but as the products of capitals, which claim shares in the total mass of surplus-value according to their size, equal shares for equal size.* [Penguin, p. 275].

We have moved with Marx from the production and exchange of commodities, to the *reproduction of capitals, to the distribution of the total social capital through the arenas of commodity production.*

The law of value governs the exchange of commodities at their prices of production—cost of capital plus the average rate of profit. The law of value regulates the exchange of commodities at the prices of production. The law of value is expressed, manifested *socially* as the law governing reproduction of capitals through the variance of the prices of production from individual values.

The "objective" basis for Marx's affirmation of the general rate of profit is that *all value* is the transmogrification of labor. Therefore, the *components,* living or accumulated, fixed or circulating of the value of a commodity are, in the moments of exchange of all commodities, transparent, obscured, *invisible.*

The "subjective" basis for the general rate of profit is that just as the make-up of value is ``invisible" to itself, the components of value are *immaterial* to the bourgeoisie--when it comes to selling the product of labor, as opposed to buying the ability to labor--because of what the bourgeoisie cannot see. The capitalist produces, or rather employs others to produce, because he or she needs to accumulate surplus-value, but the capitalist cannot comprehend, much less admit that wage-labor is the source of surplus-value, the source of the profit realized in the process of exchange. To do that would be to acknowledge that surplus labor-time is hidden in the even dispersal of the working day, that unpaid labor is hidden in the uniform distribution of the wage—that commodities are exchanged in proportion to the labor-time embedded in them save for the exchange of capital with wage-labor.

The capitalist cannot see the surplus-value extracted in production. The capitalist cannot measure the surplus-value embedded in the commodities. He, or she, can't see what he or she doesn't pay for. But the capitalist does know *cost.* Beauty is in the eye of the beholder, but under the gaze of the accountant, all the components of production, living and dead, are equally ugly. They all cost. In the eyes of the capitalist, what's purchased below cost is good-looking, but what's sold *above* cost is simply stunning.

Given the congenital deficiency in depth-perception of the capitalist, he, or she, makes do, compensates, adjusts, and calculates a "cost-plus" number for his or her commodities. The capitalist adds an "average rate of profit," a percentage of the cost-price, to the cost-price of the commodities he or she brings to market.

It is, in the "normal" course of capitalist events, through the exchange of commodities at their production prices, that value is distributed among the capitals, and that capital as a whole is reproduced.
For Marx, the establishment of the general rate of profit is not the calculation of an arithmetic mean, a simple, a worthless calculation that exists always in the abstract and never in the concrete. Despite all Marx writes about particular rates of profit, about the lower rate of profit common to railroads, the general rate of profit is, if not the governing principle, at least the proxy of the governing principle, at least a compelling principle of accumulation. Competition not only creates the general rate of profit, but it is the *competition to achieve* the general rate of profit that drives capitalism up against the inside of the cage of its own making.
Each/all capitalists must reduce the "ordinary" cost-prices, the costs of production, of his/her/their commodities in order to market those commodities at prices of production that appear to be an extraordinary gain. All capitalists will expel labor-power disproportionately from the production process in order to substitute machinery which reduces, and only to the extent it reduces, the costs of production. Each/all capitalists think they can outrun, outpace, outmaneuver, every/all capitalists when in fact every/all capitalists exist as shadows to each other, and have about the same chance of outracing the general rate of profit as they do of outracing their own, and each other's, shadows.
So we get to that space between the rock and the hard place of capital—between the need to reduce cost-price in an attempt to garner an extra shred of value from the total available social value and the result of that very reduction, which is of course, the decline in the general rate of profit. Capital, to reduce the cost-price, will introduce greater quantities of fixed assets to the degree that this displacement of labor reduces the cost-price. This is manifested in the labor process by the expulsion of labor power. *All* of the fixed capital must be engaged to expel the labor power to the level that actually reduces the cost-price. *But* only a fraction, a portion, of the fixed capital transfers, recuperates its own cost in the valorization process. So capital is involved in a continuous process where accumulation creates devaluation; where achieving a general rate of profit requires acting to aggrandize an excess profit; and where price is, if not the only mechanism, certainly the most important and developed one.
Any and all capitals, to achieve the general rate of profit must furiously struggle for increments of profit above the general rate. Any and all capitals in so endeavoring to reduce its cost price will reduce its price of production. The *arbitrage,* the lag, the differential between the individual producer's price of production and the general price of production constitutes an aggrandizement of excess or surplus profit.
The individual aggrandizement, the arbitrage, draws all of capital into the struggle to reduce cost prices as capital always and everywhere migrates in the very existence and action of the arbitrage itself. Thus the struggle for *excess* profit, necessary to achieve the *general* rate of profit reduces the general, *average, social rate of profit*.
Capital, having no existence without valorization, exists only in lock-step with devaluation.

"We Must Go On"—Kane, *Alien*

3.1 In chapter 38, Part 6, Volume 3 of *Capital*, Marx applies his theory of rent to capitalist production, contrasting the costs and profits of factories powered by waterfalls with those of factories powered by steam-engines:

> *To demonstrate the general character of this form of ground-rent, we assume that the factories in a country are powered predominantly by steam-engines, but a certain minority by natural waterfalls instead. We assume the production price in*

the branches of industry first mentioned to be 115 for a quantity of commodities for which a capital of 100 is consumed. The 15 per cent profit is calculated not just on the consumed capital of 100 but on the total capital that is applied in the production of this commodity value. This production price, as we explained, earlier, is determined not by the individual cost price of any one industrialist producing by himself, but rather by the price that the commodity costs on average under the average conditions for capital in that whole sphere of production. It is in fact the market price of production; the average market price as distinct from its oscillation. It is always in the form of the market price and moreover in the form of the governing market price or the market price of production that the nature of commodity value presents itself, its character being determined not by the labour-time needed by a certain individual producer to produce a certain quantity of a commodity, or a certain number of individual commodities, but by the socially necessary labour-time…

…we shall further assume that the cost price in those factories that are driven by water-power comes to only 90, instead of 100. Since the production price of the great mass of goods that governs the market is 115, with a profit of 15 percent, the factories that drive their machines with water-power will also sell at 115, i.e. at the market price as governed by the average price. Their profit will amount to 25 instead of 15; the governing price of production enables them to make a surplus profit of 10 percent, not because they sell their commodities above the price of production but because they sell them at this price, because their commodities are produced, or their capital functions, under exceptionally favourable conditions, conditions that stand above the average level prevailing in this sphere.

Two things are immediately evident here.

Firstly,…This surplus profit is thus similarly equal to the difference between the individual price of production of these favoured producers and the general social price of production in the sphere of production as a whole, which is what governs the market. This difference is equal to the excess of the general production price of the commodity over its individual production price. The two governing limits of this excess are on the one hand the individual cost price and hence the individual production price, and on the other the general production price. The value of the commodities produced by water-power is lower because a smaller amount of labour is required for their production, i.e. less labour enters in the objectified form, as a portion of constant capital. The labour here is more productive, its individual productivity being greater than that of the labor employed. Its greater productivity is expressed in the way that it needs a smaller quantity of constant capital to produce the same amount of commodities, a smaller quantity of objectified labour than others; and a smaller quantity of living labor as well, since the water wheel does not need to be heated. The greater individual productivity of labor applied reduces the value of the commodity and its cost price and therefore its price of production as well. For the industrialist, this presents itself in the following way, that the cost price of the commodity for him is less. He has less objectified labour to pay for, and similarly less wages for less living labour applied. His cost price is 90 instead of 100. And so his

individual production price is only 103½ instead of 115 (100:115=90:103½). The difference between his individual production price and the general one is determined by the difference between his individual cost price and the general one. This is one of the magnitudes that set limits to his surplus profit. The other is the general price of production, in which the general rate of profit is one of the governing factors. If coal becomes cheaper, the difference between his individual cost price and the general one declines, and so therefore does his surplus profit. If he had to sell the commodity at its individual value, or at the production price determined by this individual value, the difference would disappear….

Since one limit to this surplus profit is the level of the general price of production, and the general rate of profit is a factor of this, the surplus profit can arise only from the difference between the general and individual production prices, and hence from the difference between the individual and the general rate of profit….

Secondly, the surplus profit of the manufacturer who uses natural water-power as his motive force instead of steam has not so far been distinguished in any way from all other surplus profit. All normal surplus profit…is determined by the difference between the individual production price of the commodities produced by this particular capital and the general production price which governs the market prices of commodities for capital right across this sphere of production…

But now comes the difference.

To what circumstances does the manufacturer in the present case owe his surplus profit…

In the first instance to a natural force, the motive force of water-power which is provided by nature itself and is not itself the product of labour…It is a natural agent of production, and no labour goes into creating it.

Marx then considers the case where an improvement in the methods of work, the scale of production, productivity, etc. aggrandizes a surplus profit:

Conversely. The simple application of natural forces in industry may affect the level of the general rate of profit, through the amount of labour required to produce the necessary means of subsistence. But it does not in and of itself create any divergence from the general rate of profit, and it is precisely this that we are dealing with now…The reduction in the cost price and the surplus profit which flows from it, arise here from the manner and form in which the capital is invested. They arise either from its concentration in exceptionally large amounts in a single hand—something that is cancelled out as soon as equally large amounts of capital are employed in the average case—or from the circumstance that capital of a particular size function in a particularly productive way—and this ceases to operate as soon as the exceptional manner of production becomes universal, or is overtaken by one still more advanced.

The reason for the surplus profit in this case is thus inherent in the capital itself (including the labor that it sets in motion)…and nothing inherently prevents all capital in the same sphere of production from being invested in the same way. Competition between capitals…tends to cancel out these distinctions more and more…Things take a different form with the surplus profit of the manufacturer who makes use of the waterfall. The increased productivity of the labour he applies arises neither from the capital and labour themselves nor from the simple

> *application of a natural force distinct from capital and labour but incorporated into capital. It arises from the greater natural productivity of a labour linked with the use of a natural force, but a natural force that is not available of all capital in the same sphere of production…What is used is rather a monopolizable natural force which…is available only to those who have at their disposal particular pieces of the earth's surface… The condition is to be found in nature only at certain places, and where it is not found it cannot be produced by a particular capital outlay…Those manufacturers who possess waterfalls exclude those who do not possess them from employing his natural force because land is limited, and still more so land endowed with water-power…Possession of this natural force forms a monopoly in the hands of it owner, a condition of higher productivity for the capital invested, which cannot be produced by capital's own production process; the natural force that can be monopolized in this way is always chained to the earth. A natural force of this kind does not belong to the general conditions of production in question nor to those of its conditions that are generally reproducible.* [Marx, volume 3, Penguin 1981 p.779-785]

So Marx tells us the surplus profit is the product of the divergence between the individual price of production and the general social price of production. This leads to a similar divergence between the individual rate of profit and the general, social, average rate of profit. In this facet, there is no distinction between the surplus profits accruing, or more properly-- distributed by the market-- to the water-wheel owner, and surplus profit that is distributed to the capitalist who deploys any technology of greater efficiency in production.

The difference comes in that the advantage accruing to the water wheel owner is not the product of human social labor. No matter how powerfully the water flows, it is not the objectification of labor. It is not labor flowing as *a value-magnitude*.

The commodities produced under these conditions do not enter the market, exist in the market, at their, as their prices of production, but claim, *suck in*, portions of the value embedded in other commodities by exchanging at those other commodities prices of production. Unlike the [mythological] competition of all commodities with all other commodities, the natural, restricted, non-reproducible condition of the production of these commodities does not permit the equalization of profit rates.

The water has no value. Rent, in fact, is an effort, an assignment, a "proxy" of value assigned to such resources held as private property, which have yet to engage social labor. Once assigned, such rent appears as a cost, as a deduction from, a transfer of surplus value, through the mediation of the prices of production, from production to ownership.

If private property in the social means of subsistence and production is essential to the "sucking in" [Marx, "Results of the Immediate Process of Production," in *Value, Studies by Marx,* translated by Albert Dragstedt, New Park Publications, London 1976] of labor as wage-labor, and the capitalist's aggrandizement of surplus value, then private property in land, water, minerals, electromagnetic spectrum etc is the Nosferatu of capital, the shadow on the bourgeoisie's wall, the non-image in the capitalist's mirror.

Marx then takes us back to his earlier discussions of rent in *Theories of Surplus Value*. Waterfalls are limited. They cannot be reproduced at will. Natural resources are limited. They are monopolized. They are owned. The owner, the class of owners has no *need*, no social compulsion to *valorize*, to make an asset, *capital,* of his or her ownership.

First, once again Marx has abstracted rent as an economic process, from the concrete history of the conditions surrounding, determining the growth of capitalism. That concrete history shows us that the use of water-mills, water-wheels, natural water power, is indeed restricted. It is restricted by natural occurrence, but as is the case in every natural occurrence, the restriction is embodied and embodies, is preserved and preserves, in the low level of the means of production as a *social* force. More exactly, the restriction is embodied in, and embodies, the poor development of social *labor.* This "natural advantage" is nothing other than the reflection of the scattered, fragmented, individualized, atomized level of social production, that is to say the diminished, impoverished, productivity of labor.

Marx's description of the labor consumed at the watermill as "more productive" is curious, puzzling, confusing, right/wrong. We know what productive labor is—it is labor that increases the wealth of the bourgeoisie. It is labor that expands capital. It is labor that valorizes value. It is labor that yields a surplus value. That is the productivity of labor in the valorization process. We also know that labor has that old "two-fold" character under capitalism. What goes on in the valorization process does not stay in the valorization process. It happens also in the labor process. We know that productive labor is labor that increases the output of product with no increase, or relatively less, consumption of labor power. We know that the increase in output with less consumption of labor power usually requires the expulsion of labor power from production through the substitution of machinery, through applications of technology.

We know that productive labor is labor that reduces the individual cost price, and prices of production, of the commodities. We know that productive labor is labor that animates, absorbs greater capital values in sum, *in the labor process,* while reducing new values in particular and in ratio to that sum.

We know that the labor process under capitalism is an isomeric process, where the same process exists simultaneously in different states, different conditions, with those conditions *bleeding* into each other, with the products of the process embodying in their unitary physical existence the collective, social, condition of production.

We know that the fixed assets amplify the productivity of labor, reducing the cost price, increasing the relation of surplus-value to the necessary value of wage replacement. We know that the fixed assets participate *fully* in the labor process of production, but only marginally in the valorization process.

We know that the reduction in cost-price, in prices of production, entails—not always, not immediately, but always inevitably—more intense exploitation of labor, increased aggrandizement of relative surplus value as the value necessary to replace the wages of wage-labor is reduced *in time*, in proportion to the time of production.

We know that it is just this increased exploitation that sets the state for the formation of a general rate of profit.

Historically, we should know that water-powered production, of mills, looms, proved incapable of matching steam-power in any of these areas so critical to expanded accumulation. Between 1784 and 1836 in Britain, the application of steam to cotton manufacturing reduced unit processing costs of cotton cloth by eighty percent in comparison to the costs of water-powered production, while vastly expanding output, and increasing profitability. That is the productivity of labor under capitalism.

We should also know that the history of capitalism, in sum, embodies the *inadequacy of "natural sources"* in meeting both the needs of production and the needs of capital accumulation. Capitalism is a testament to the diminution of "natural advantage.

It is the inability of the "rental mode" to achieve these three interlocked measures of accumulation-- reduced costs, expanded output, increased profitability-- that makes the "natural advantage," "the different fertilities," *rent,* so immaterial, so trivial to capitalist accumulation. It is precisely the fact that the rental mode cannot satisfy the increasing demand that undermines, rather than reinforces, its hold on social production.

We should also know that if, as Marx says, the more capitalism develops the more important rent becomes, the more surplus-value is transferred as rent, and as such exists outside the mediation of the prices of production, then a general, average, social rate of profit cannot exist. However, the individual, particular struggles to aggrandize excess profit so essential to the formation of the average social rate of profit continues to drive, and wreck, the accumulation of capital.

A Case of Oil—Of Drills and Bits

3.2 The US Department of Energy through its Energy Information Agency [EIA] collects, analyzes, and publishes the operating and financial performance of the major US energy producing companies. The companies reporting the data participate in the DOE's Financial Reporting System [FRS].

Over the course of 35 years, the individual companies participating in the FRS have come and gone, merged, been acquired, integrated, divested, but the specific weight, the gravity of the FRS companies in relation to all US industrial corporations, and the US economy in general has been constant.

Operating revenues of the FRS companies generally amount to 10% of operating revenues for the *Fortune* 500 largest corporations. In 2005 and 2006, FRS companies' revenues measured 22% of the revenues for all US manufacturing companies. In 2005, net income of the FRS companies equaled approximately 30% of total manufacturing income in the US. That ratio measured 28% the following year.

Perhaps most importantly, the assets of the FRS companies represent a more than slightly overweight portion of the total assets of US manufacturing companies.

In 2005, gross property, plant, and equipment [PPE] of the FRS companies was equal to 40% of the gross PPE of all manufacturing companies. The ratio measured 44% the next year. Net PPE [Gross PPE minus accumulated depreciation, depletion, and amortization] measured 48% and 58% of the total for years 2005 and 2006.

The EIA produces an annual review of the FRS companies entitled the *Performance Profile of Major Energy Producers*, usually within the year following the year under review. The data used here is from the *Performance Profiles* from the years 1992 to 2007. The annual performance profiles, beginning with the 1993 review, are available in .pdf format from the EIA at: http://www.eia.gov/emeu/finance/histlib.html

3.4 Fueled by the consistent high prices for oil in the years from 1974 to 1985, the FRS companies engaged, actually engorged, themselves in a sizeable expansion of assets. Between 1974 and 1981 alone, the asset base of the FRS companies tripled.

The point of capitalist accumulation is the conversion of those production assets into greater masses of the commodity being produced. Accumulation must always become overproduction. The overproduction of oil as a commodity during the period of overall slower growth after 1979 had to bring down the price of oil, eventually, and with a thud. That thud was 1985, 1986 and beyond.

The dramatic price declines of the mid-1980s which brought the FRS companies up short and down low had dramatic repercussions on the US, and the world's, economy. Petro-dollars which, after 1974 and then again after 1979, had recycled through the US commercial and financial

networks, had supported U.S. agriculture, housing construction, Houston, Texas, and Mexico among others. For the Soviet Union, the higher prices had meant harder currency, and greater integration with and vulnerability to the world markets.

After the thud came the divestment, massive divestment, a Grand *Destockage* [you should pardon my French]. Between 1990 and 1992, the FRS companies reduced exploration and development expenditures by some 30% compared to the previous three year period.

The petroleum companies spun off maintenance operations, exploration and development divisions, and reduced, of course, that living component of capital accumulation, human labor. By 1992, direct employment by the FRS companies had declined more than fifty percent to 670,000 persons.

The price collapse was the invisible hand of the market slapping the FRS companies upside the head. Tattooed across the knuckles of both invisible hands and one invisible foot was

"O-V-E-R-P R-O-D-U-C T-I-O-N."

Direct production costs [the actual cost of "lifting" a barrel of oil to the surface] had declined steadily during the ten years ending in 1992. Nevertheless, the return on investment sank lower and lower. The FRS companies' ratio of net income to total assets for the years 1990, 1991, 1992 was measured at 4.7%, 3.3%, and 0.6% respectively. At least, the FRS companies didn't suffer alone. The ratios for the S&P industrial companies measured 4.6%, 2.6%, and 0.6% over the same period. Misery loves companies.

In 1993, the profitability of the FRS companies began to recover as part of the general industrial expansion during the Clinton years. By 1995, net income for the FRS companies had increased for its third straight year. Additions to investments in place [a general measure of capital spending] excluding merger and acquisitions, increased 13.4% over the 1994 level. Direct lifting costs in US onshore and offshore operations declined from $3.68/barrel to $3.47/barrel. Costs in foreign operations declined 6% to $3.40/barrel.

Finding costs, defined as exploration and development costs divided by reserve additions *minus* net purchase fell 12% in 1994 from the year earlier, and fell another 11% in 1995. Finding coast however are not a reliable index to the efficiency, and success, of exploration and development activity as *reserves* is an economic, and not a geological, category. Any supply of crude oil only becomes a reserve when it can be produced at an established price, using current technology, *at a profit.* If ever there was a two sentence summary of the first chapters of *Capital*, there it is.

Happy days were there again in 1996, with net income from oil and gas production doubling on the year-to-year basis. Return on investment for oil and gas production reached 14.1% in US operations and 12.8% in foreign operations. Lifting costs continued to decline. For the period 1991-1996, lifting costs had declined by more than one-third. Well productivity, the output per active well improved in US offshore and onshore operations by 17%, and in the overseas operations some 41% as the OECD Europe areas, mainly North Sea operations, recorded the highest productivity per active well.

Overall the FRS companies' ratio of net income to total invested capital had improved steadily from 9.7% in 1994 to 11.7% in 1995 to 15.7% in 1996. The ratio for US industrial corporations as a group measured 13.5%, 13.8%, and 14.8% in those same years.

Another record profit was recorded 1997, although a 10% decline in the price of oil did not bode well for the future. Reported the EIA in its *Performance Profile of Major Energy Producers, 1997:*

On the supply side, crude oil production in 1997 was up 3.5 per cent over 1996 production. The 2.3 million barrel-per-day rise in production was the largest since 1986 and was considerably in excess of the 1.6 million barrel-per-day increment in demand. Step ups in oil production of 6 percent over 1996 levels by members of OPEC account for most of the added oil supplies. Nearly all OPEC members reported increases with Iraq registering a doubling of production [PP 1997, p.2]

Remember those words, "*with Iraq registering a doubling of production.*"

Still, FRS companies recorded further reduction in lifting and finding costs, and greater success rates in their exploratory drilling. That rate improved from 36% in 1985 to 51% in 1997 despite/because of increased drilling activity. The FRS companies' investments in 3D seismic imaging and horizontal drilling were still paying dividends even as the realization of those investments set the stage for devaluation of the commodity itself.

In 1998, oil prices fell to a 25 year low, with prices breaking below $10 per barrel. Iraq essentially doubled its daily 1997 production [remember those words, too], provoking various expressions of displeasure from the FRS companies. Net income as a percentage of total invested capital for FRS declined to about 6.5%, with the ratio being 12.7% for the US industrial companies.

The year 1998 was the same year that our celebrated "oil-cons" got together to produce their seminal work on the forthcoming American century in the Mideast in general, and the need to get rid of Iraq's Hussein in particular. An uncharitable sort might make a connection between that declining ratio of return on invested capital, Iraq's continued excess production, and the peer-reviewed and sanctioned proposals for regime change.

Anyway, the Saudis responded to the anguished cries of the FRS companies and announced alterations to production quotas and in 1999 oil prices rose from $10 to $24 per barrel. The Saudis, controlling 30-40% of OPEC's production capacity reduced their production, but Iraq actually increased its production.

Another price increase in 2000, driven by prices that averaged $10 per barrel above 1999 levels, brought record high profits for the FRS companies. The companies, in turn, doubled their capital expenditures, except….*90% of that expenditure was absorbed in mergers and acquisitions with/of other companies.*

Replacement of reserves "through the drill bit"—expanding known reserves from developed fields, again a reflection of the economic, price, determination behind the meaning of reserve, was the second highest in 25 years. The FRS companies replaced 166% of their US onshore production, 136% of US offshore production, and 119% of foreign production.

Most importantly, for only the second time in two decades, 2000 was a year that the profitability of FRS companies exceeded that of US industrial companies. The FRS ratio of net income to total invested capital reached 16.3%, with the S&P industrial recorded a 12.9% rate.

For every year between 2000 and 2007the FRS companies' measure of profitability exceeded that of the S&P Industrial index. Just as importantly, for our consideration of Marx's arguments that capitals of equal size will command equal profits, the ratio of the FRS companies' net earnings to the net earnings of the US industrial corporations began a dramatic climb. This increase in proportion, actually *disproportion* of total net income approached, but just approached, the disproportion, the overweighting of the FRS companies' accumulated asset base in relation to the total assets of US industry:

FRS net income ratio to S&P Industrial net income, by year

1995, 9%
1996, 14%
1998, 5%
2000, 27%
2002, 18%
2003, 19%
2005, 30%
2007, 28%

3.5 The point of this examination is simply that the recent history of the oil industry, the recent history of oil prices is not a product of the mechanisms of *rent,* or the actions of renters. There are no increased costs of production by "marginal" "less efficient" operations. On the contrary, costs of production declined steadily.

There is no declining productivity of successive investments in the extractive process. On the contrary, successive applications of capital increased productivity.

There is no inability to satisfy *demand*. On the contrary, production outpaces consumption.

There is no increase in prices based on the inability to multiply production, or the instruments of production. On the contrary, there is a rapid and dramatic decline in price, the result of improved ability to multiply the assets of production [i.e. improved success rates].

There is no impingement of accumulation by landlords, by national governments, by monopolists. On the contrary there is over-accumulation by the oil producers.

There is, however, a conflict between production and accumulation, between use and value.

There is, however, the conflict between the *general rate of profit* and the rate of profit specific to the FRS companies at the start of the 1990s.

There is however, the conflict between a general rate of profit and the compulsion of capital to distribute profit according to the size of the capitals engaged in the process of accumulation.

There is, however, the functioning of price as a *distributive* mechanism to "relieve" that conflict.

There is, however, the divergence between price and value to mitigate overproduction.

There is, in short and in total, the mechanisms, conflicts, dynamics of *capital.*

4. And It Ends Up… Here

> *A plague of rent-seekers is seeking quick gains by privatizing the public sector and erecting tollbooths to charge access fees to roads, power plants and other basic infrastructure….*
>
> *Most wealth in history has been acquired either by armed conquest of the land, or by political insider dealing, such as the great US railroad land giveaways of the mid 19th century. The great American fortunes have been founded by prying land, public enterprises and monopoly rights from the public domain, because that's where the assets are to take.*
>
> Michael Hudson "Wisconsin Death Trip" http://www.globalresearch.ca/index.php?context=va&aid=23664

Here then, courtesy of Dr. Hudson, is the problem with rent-theorizing. It precludes the recognition, and apprehension, of capitalism as *value*-producing, as requiring a specific organization of labor for the reproduction of a value. There is no accumulation, no valorization, no reproduction. There is only rent and renters, loot and looters, theft and thieves, rip off artists, swindlers, accruing monopoly rights to "public domain."

There is no Marx, only Proudhon. Property is theft.

Behind Hudson's seemingly deep insight into "rent" is nothing other than the prosaic and pedestrian reality that capitalist production, like all production, has to access and utilize natural resources; that it takes place in a material world where *value has no innate existence*; that value is not inherent in nature; that in the organization of value-production the “natural” platforms for such value-production must be assigned an “as-if” value; as if the land, the lake, the forest were realized in their inception *economically*, as social products *controlled, owned,* by private producers. Without the “as-if” characteristic, the land, the lake, the mine, the forest cannot be circulated in the value of the commodities extracted from the land, the like, the mine, the forest. The private property cannot be exchanged, and without exchange we know property is *useless*.
Clearly, notions of renter, and *rentier*, capitalism figure prominently in the work of those theorists of “monopoly capitalism”—where the divergence of prices from values is considered proof that, in its “monopoly” phase, capitalism has overcome, transcended, “abolished” the law of value. Again, missing here is the recognition that capitalism is first and foremost a system of accumulation. Value is, if not nothing today, pretty much nothing tomorrow. The *reproduction* of value is pretty much everything.
Swindles, looting, theft certainly exist but only phenomenally, as expressions of moments in the organization, and disorganization, of value production. They cannot, as rent cannot, replace valorization. Opposition to renter or rentier capitalism cannot replace opposition to the reproduction of capital.
Accumulation beats the hell out of rent every day of the week, and twice on Sundays.
Now let’s move on to something really important, like the struggles in Greece, China, the Philippines, and Egypt.
S.Artesian
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