

A question on “rent-seeking”

By Nick Beams
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Dear Editor,

I have a question for you regarding economics. Currently I am taking a college course in the United States on the topic of Law and Economics. My professor—as a libertarian—often biases his lessons based upon his ideology. I consider myself a socialist, and I am usually able to separate the truth of economic matters from political ideology, yet I am unable to reconcile one topic. This topic is the phenomenon he referred to as “rent-seeking”. He claims that people waste valuable resources trying to lobby the government to redistribute resources. I am wondering what your opinion is on this matter? I would really appreciate hearing your point of view.

Thank you.

All the best,

RO

Dear RO,

Not being aware of the context in which the issue has been raised, it is a little difficult to answer your question. But if I clarify the Marxist analysis of rent this may assist you.

In Volume I of *Capital* Marx deals with capital as a whole, showing how it accumulates through the extraction of surplus value from the working class.

In Volume III of *Capital* he deals with the relationship between the different components of capital, showing how the surplus value extracted from the working class is divided among them.

Marx shows that the price in the market will oscillate around the “production price”, that is a price for each commodity which will return for the capital involved in that industry profit at the average rate. The average rate of profit is determined by the ratio of the total surplus value extracted from the working class as a whole to the value of the total capital which has produced it.

This surplus value is then distributed to the different sections of capital in proportion to their share of the

total capital. This process of division takes place through the competitive struggle in the market. If one particular section of capital receives profit at higher than the average rate then capital will move from other sections of the economy to increase the production of the commodity returning the higher rate until its price falls to the “price of production”—that is, the level at which profit is received at the average rate.

The equalisation of the rate of profit across the different sections of capital depends on the ability of capital to move freely. However, there may be conditions which prevent this. For example, if the ownership of land is monopolised, capital will not be able to freely move into agricultural production if profits there were to go above the average rate. This would mean that agricultural producers would be able to charge above the “price of production”. The higher than average return would be divided between the landowner in the form of “rent” and profit to the capitalist farmer.

The ownership of land is not the only source of rent. If the ownership of a particular process is monopolised through patents, copyright or other forms of restrictions, then the owner will be able to extract a “rent” from those sections of capital seeking to utilise the process.

As for our attitude to this question, we are not seeking to “lobby the government to redistribute resources” but to develop a political movement of the working class—the producers of all wealth—to bring the resources created by society under social ownership and control so they can be developed in accordance with human need.

Yours sincerely,

Nick Beams

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